# MARKET REPORTS

## HOW TO READ AND WRITE THEM

by

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# MARKET REPORTS

What is a man
If his chief good and *market* of his time
Be but to sleep and feed ?

—*Shakespeare*

## FOREWORD

The study of commerce has gained increasingly wider recognition in India during the past two decades But the varied and complicated nature of commercial processes and organizations have hindered the production of suitable literature for use in educational institutions For all students of commerce and economics, as well as for practical businessmen is necessary a grasp of the functions of markets and the organization of their transactions The descriptions of the processes and nature of commercial transactions are embodied in Market Reports and constitute a scientific study which has come into prominence only lately

New and technical as the subject is, its difficulties for beginners are obvious To many students of commerce, market reports appearing in daily newspapers, let alone the specialised pages of commercial journals are quite unintelligible, and, even when one makes an attempt to know the technicalities of the subject, one finds very few books to help him in this direction I have always felt the lack of suitable books for students in Colleges and Universities The present work is an attempt to fill up the gap in commercial studies The author has tried to put the subject on a scientific basis, and to present it to the students on psychological lines

The author has done a distinct service by placing this book before the public, who, in my opinion, stand in need of such a book much more than College students.

I wish the author every success

B. N. DASGUPTA,

*7th November, 1942* — *Head of the Department of Commerce, Lucknow University*

## INTRODUCTION

The present work was planned during the course of my investigations into the field of Markets and Marketing in India I have included in it such experience as I have gained with my own students, and have therefore endeavoured throughout to keep in view the difficulties of the beginner The study of Market Reports, until comparatively recent times, was rendered difficult by the fact that there was very little common ground between the student and his text books Therefore the usefulness of a treatise of this kind becomes at once obvious and it is my hope that it will be found serviceable both to students and teachers

The book has been divided into fourteen chapters, each chapter representing a stage in the process of understanding and interpreting the subject matter The first four chapters give an insight into the nature and organization of modern markets In the fifth chapter the author has explained the nature of Market Reports and what they stand for

Market Reports have been described as a form of commercial literature somewhat technical and specialized and it has become necessary to suggest an analytical method of reading for beginners The sixth chapter is therefore devoted to outlining the principles which will help the reader to understand Market Reports in their proper form and true colour

The author seeks no apology for adding chapter seven, knowing as he does the difficulties of students in preparing this subject for various examinations A systematic method of explaining Market Reports has been suggested and it is hoped that this will prove of special interest to examinees

The subject-matter proper has been divided into two major topics, i e Commodity Market Reports

and Capital Market Reports Each of these topics is again divided into three chapters *viz*, Produce, Manufactures and Bullion and Money, Foreign Exchange and Stocks and Shares respectively Each chapter in turn contains five sections the *first* giving a short description of the particular market and the organization of business, the *second* containing the interpretation of quotations the *third* consisting of extracts graded and explained, for the guidance of the beginner the *fourth* comprising progressive exercises with hints for explanation the *fifth* giving advanced exercises with guide questions for practice

The last chapter on the Art of Writing Market Reports is a natural corollary of what has been studied before In mastering a subject it is not enough to acquire tools of theoretical knowledge Their intelligent application alone is the best test of proficiency hence the importance of this chapter The principal object of this chapter is to train the student to transfer his ideas to paper most accurately and effectively, and it should prove of value both to the academic worker and the professional reporter

Thus it will be seen that the chapters in this book have been so planned and arranged that they should achieve the three fold object of the author *first*, to systematize the subject matter *second* to present a scientific method of study and interpretation, and *third* to prepare candidates for various examinations, and professional reporters for a successful career in commercial journalism

I am indebted to various Exchanges Chambers and Commerce Associations of India for supplying me first hand information on all problems that I have discussed in this book I thank Mr B N Das Gupta, B A A S A A, R A Head of the Commerce Department, Lucknow University for writing the Foreword and for the encouragement he has accorded me from time to time in writing this book To Mr B N Chatterjee M A, B.L, Dean, Faculty of Commerce,

Lucknow University, I am grateful for reading certain portions of the book and for making valuable suggestions In conclusion I should like to acknowledge the free use I have made of the published reports appearing in the Capital, the Commerce the Statesman, the Hindustan Times, the Leader, the Pioneer, and other journals and newspapers for interpretation and exemplification

28th of November, 1942
*Faculty of Commerce,*
*Lucknow University*

*A M LORENZO*

## PREFACE TO SECOND EDITION

The rapidity with which the first edition of this work has been sold out enables us to bring out second improved edition Every page of the book has passed a scrutinizing revision Practically no change has been made in matter or method, but a new appendix has been added which must be of considerable value to a large and growing circle of commerce students and businessmen.

*June 30, 1944*

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of private individuals drawn together by common interest or an organized institution governed by written rules, binding conventions or state regulations

(5) The *act of buying and selling* or either of the two, as an occupation This activity represents an economic function in the mutual satisfaction of wants, and is therefore performed in an atmosphere of free and open competition

(6) The *phase or course of commercial activity* by which the exchange of commodities is effected It represents opportunity for buying and selling and serves as an index for the conduct of business, *e g*, "*The market is bright*" or "*there is dull market for wheat*"

The essential idea of a market, in the strict economic sense, is not so much any particular place of business, where goods and services are exchanged, as the intimate and direct relation subsisting between the buyers and sellers This implies that the business should be transacted in a state of healthy competition Thus along with place (locality) and work (activity), the element of competition is an important constituent of an economic market The modern conception of a market is therefore more abstract, and deserves particular attention on the part of economics and commerce students *Briefly stated an economic market is said to exist wherever and whenever the buyers and sellers of goods and services meet in search of opportunities for the adjustment of their mutual interests, and transact business in an atmosphere of free and open competition*

Under normal conditions the sellers of a certain kind of commodity desire to sell their stock at the highest possible price, whereas the buyers desire to purchase this commodity at the lowest possible price The sellers represent the supply side and the buyers the demand side in a market, and the price is adjusted at an equilibrium between demand and supply The essential feature of a market is therefore a fuller and freer competition between the buyers and sellers with

## CHAPTER II

# CLASSIFICATION OF ECONOMIC MARKETS

Economic markets are classified in various ways and to various ends. They may be classified according to ownership, area of operation, duration of establishment, nature of business or commodities dealt in. Classified regionally, markets are Local, National and International ones, because the area of competition determines the limits of the market. There are short-period and long-term markets when we consider the competition conditions, *i.e.*, the demand of buyers and supply of sellers, in terms of time. On the functional basis of classification, *i.e.*, according to the volume of business done or the nature of competition made, markets are grouped into wholesale and retail. When we consider the nature of commodities bought and sold, the markets are usually classified into two major types, *viz.*, Commodity and Capital. A tabular analysis of these types of markets, which we shall adopt for our study in this book, is given below :—

ECONOMIC MARKETS

- 1. *COMMODITY*
  - (a) *Produce* (Raw material)
  - (b) *Manufactured and partly manufactured goods*
  - (c) *Bullion* (Precious metals)
- 2. *CAPITAL*
  - (a) *Money* (Home currency)
  - (b) *Foreign exchange* (International money and currency).
  - (c) *Stocks and Shares* (securities)

**1. Commodity Market :** The commodities that are dealt in on the *commodity market* are usually recognised as *production* or *consumption goods*. These

goods are required either for direct consumption in the form of food, such as cereals, or for indirect consumption in the form of raw material for industries, such as fibres, ores and minerals The classification, on broad lines, of these wares of commodity markets, can be made into three groups, viz (i) *agricultural produce*, including the products of forests, plantations and animal husbandry, such as food grain fodder, fruits and vegetables, timber, grasses, fibre crops, milk, meat and fish, (ii) *mineral products*, such as precious metals, industrial ores and metals minerals earths and clays, and precious stones, (iii) *manufactured or partly manufactured goods* such as cloth leather goods, machinery, oils tea sugar and hides and skins

The marketable commodities in specialized exchange houses are often described according to the region of production, *e g*, Indian jute, Punjab wheat Australian wool, Java sugar, Swedish iron ore, or Glasgow machinery This basis of recognition gives a merchantable quality to the commodity and is one of the steps in organized grading and price fixing on the exchange Transactions are generally made according to these regional grades In order to facilitate the testing of consignments the commodities are classed into *types* and *standards*, after giving full consideration to all the attributes of a commodity, by experts who issue certificates testifying to the quality of goods The variations in the quality of certain commodities are known as *good fair, middling, ordinary* and *low* Since various difficulties arise in the classification of types and grades, the goods are often sold by a standard which is known to be of *fair average quality* (*f a q*) This grading to establish the *f a q*, is conducted by the exchange whose representatives obtain samples of all shipments and mix them up to produce a general standard This is the most popular system in the corn trade

When commodities are sold by description, the quality of their constituents is given on a customary

basis The percentage of valuable material determines the quality For instance, quotation of No 1 Northern Spring Duluth Certificate wheat in the *London Corn Exchange* will imply a weight of 60 lbs per bushel and less than 3 per cent. chaff, or a quotation for Indian manganese ore will imply that at least 43 per cent should be metallic content Similarly raw wool is sold by description, according to which a certain percentage of pure wool is obtainable after the process of cleaning has been effected Any difference owing on account of the delivery of inferior quality is made good by payment of a sum which is calculated according to a basis fixed by experts

The method of sale on the modern commodity market is usually determined by the nature of the commodity Where the goods are not suited to accurate grading and description, as in the case of tea and wool, the method adopted is usually *auction sale* where the prospective buyers have the opportunity of examining and sampling the commodity they intend to buy In the case of perishable commodities, or those for which there is limited demand, such as fruits and dairy products, or precious stones and articles of luxury, sale by grade or auction is not possible, and so is effected by private bargaining

The mode of delivery in commodity markets also varies with the nature of commodities When goods are delivered on the day of sale, or the next day, the delivery is called *spot* or *ready* If the goods are purchased now but the delivery is postponed to some future time, the transaction is known as *forward* or *futures* If the buyer takes delivery of the goods at the dock, after paying all charges for conveying them home, the sale is called *ex ship*, while goods sold on condition of their safe arrival at port are called *goods to arrive* The mode of delivery may also be *ex-warehouse* or *ex factory*, *i e* the goods will be delivered at the godown of the seller, or at the factory, *in bond*, *i e*, after the payment of customs duty, the goods being stored in the bonded-warehouse,

*ex-bond, i e.,* duty has been paid on goods, and delivery can be taken from the licensed warehouse on presenting a delivery order

(a) *The Produce Exchange* is a large organized market which deals in raw produce such as wheat, corn, cotton, jute, iron, coal, etc The exchange is usually localized in some big city or commercial centre, and has an extensive field of operations, sometimes extending to the entire world. It may deal only in one class of produce, or in several raw commodities, which can easily be graded and sold in large quantities Typical examples of such exchanges are the wheat exchanges of Karachi, Hapur and Chicago, the cotton exchanges of Bombay, New Orleans, and Liverpool the Baltic Corn Exchange in London and the jute exchange in Calcutta

(b) *Manufactured Goods Markets* are concerned with semi manufactured and manufactured goods, such as cotton and jute yarn, wheat flour, cotton and jute fabrics, machinery, sugar, leather and leather goods The area of operation of these markets is very wide, and such markets tend more and more to be centralized The best examples of commodity markets of national significance are the Piece Good Exchange of Bombay, the Gunny Trades Exchange of Calcutta the Leather Exchange at Cawnpore, the Liverpool Sugar Exchange, and the Mincing Lane Tea Exchange of London

(c) *Bullion Market* is concerned with the purchase and sale of precious metals, *e g*, gold and silver Bullion markets are highly specialized and concentrate their business in very large industrial and commercial centres The Bullion Market embraces practically the entire world The principal Bullion Markets in India are Bombay, Calcutta, Delhi, Amritsar, Cawnpore and Karachi The world's most important bullion markets are London and New York

2 **Capital Markets** The requirements of capital for modern industrial and commercial institutions are

met usually by the Capital Market Capital is required either to start a new business, to carry on trade operations, or to revive or expand the capacity of an existing *industrial or commercial enterprise* That section of the Capital Market which is concerned chiefly with *short term loans* for financing current business operations is called the Money Market The business of the money market consists in lending money now *for the promise of money some days after* in the near future The other section of the Capital Market which facilitates the operation of business transactions between two or more countries using different forms of money, is known as the Foreign Exchange Market *The third section of the Capital* Market, which facilitates the transference of capital *over long periods* is called the Stock Exchange Market.

Although these smaller sections constitute the Capital Market as a whole, each represent, in its restricted sense, really a market within a market There is, therefore a centralized machinery for transacting the highly *specialized business* in each market, and this is more or less reflected from the technique and nature of market reports which every student of commerce must thoroughly understand.

(a) *The Money Market* embraces all agencies engaged in financing business and industrial enterprise through investments It provides facilities for the public to invest their surplus funds in industrial concerns and business undertakings. It comprises of borrowers (merchants and manufacturers) on the one hand, and lenders (the investing community) on the other, who exchange the use of money through the agency of banks for short periods in return for a price called discount. The money market deals essentially in short-term loans and is localized in large trading centres, such as Bombay, Calcutta, Ahmedabad and Cawnpore. London is the world's biggest money market.

(b) *The Foreign Exchange* represents a highly specia-

lized market for buying and selling foreign currencies Its operations comprise the settlement of international debts arising from the exchange of goods and services between the different countries of the world It is a world-wide market and is largely responsible for the finance of export and import trade The importance of such a market in India is obvious London and New York are the most important Foreign Exchange markets in the world The principal seats of foreign exchange banks in India, which handle a large volume of trade, are Calcutta, Bombay, Lahore, Madras and Delhi, although the joint stock banks in all large industrial and commercial centres transact this business on behalf of foreign exchange banks

(c) *The Stock Exchange* provides a market for investments and facilitates the free movement of stocks and shares from one industry to another, or from one region to another, easily and cheaply The stock exchange is highly organized and has a wide area of operations, often the entire world It has grown only lately due to the rapid growth of large scale business and joint stock enterprise In India the stock exchange represents a rapidly expanding market for securities and instruments of value The principal stock exchanges in India are found at Bombay Calcutta, Madras and Cawnpore The London and New York Stock Exchanges are the largest in the world and have a world wide area of operations

CHAPTER III

## MODERN MARKET ORGANIZATION

Modern markets are very complicated in the nature of their organization This is the direct result of the significant changes in the nature of commodities dealt in, and the enormous expansion of trade and commerce The consummation of the industrial revolution in *various countries of the world*, with its far reaching consequences, has widened the gulf of economic dependence between nations to such an extent that the world has of necessity become one great market, with a common nerve-centre without which *no country can survive* *One common feature* of all modern markets is the great sensitivity of prices, *i e.*, their movement in sympathy with prices in other markets in different parts of the world with the result that a uniform system of organization has to be *evolved to control* inter market reactions and *also to* standardize the very delicate and complicated nature of business operations

The principal features of modern market organization are summarized below —

(1) *Specialization of Functio* The expansion of markets has resulted in specialization and division of function That is, each market or a section of the market deals in one commodity or security, and therefore specializes in one operation only Almost all markets, organized on modern lines, are divided into sections, each section dealing in one commodity For instance a produce exchange which deals in wheat alone, or only in food grains, will have sections for different varieties of wheat or for each class of cereal respectively The produce exchange may also specialize in cotton oilseeds, jute or rice, and the stock exchange in one

class of securities such as Industrials, Engineerings, Electrics or Railways

(2) *Standardization of Commodities* Almost all transactions in modern markets are done by sample and description There is, therefore, no necessity of bringing the bulk of commodities on the spot Sale by sample and description requires the gradation and standardization of commodities by experts under the supervision of licensed grading institutions or Government Departments Those commodities which cannot be graded in standard types are not suited for sale on an exchange The standardization of commodities ensures quality and helps to fix the price It also results in enormous gain in time, energy and money, and helps to create a demand in distant markets The grading of the agricultural produce by the Marketing Board in India has enormously helped Indian markets and ensured greater security and efficiency in home and foreign trade

(3) *Host of Middlemen.* The most important feature of modern market organization is the presence of a host of intermediaries whose function is to direct the flow of goods from the producer to the consumer It is seldom that the consumer or buyer will personally go to make purchases, or the seller to dispose of his stock. These middle-men are variously known as agent , brokers, factors, dealers and jobbers, and their primary function is to bridge the gap between the buyers and sellers Their services are highly specialized, and they are rewarded for their services in the form of commission at a certain rate on the amount of business done for either party The modern market is, therefore, a gathering of these middle-men who are the true representatives of buyers and sellers

(4) *Business by Speculation* Any type of business operation undertaken in the hope of making profit from an anticipated movement in price is called speculation Its essence lies in forecasting the changes in market price as a result of forces present within

the market or outside it It involves the buying and selling of a commodity at the present with the object of re-selling or re-purchasing it at some future time This type of business involves considerable risk and is therefore indulged in by a class of specialized and professional agents known variously as Bulls and Bears A Bull is a speculator who, expecting a rise in price, buys forward with the object of re-selling at a profit before the date of delivery A Bear expects a fall in price and therefore sells, with a view to purchasing at a lower price before the date of delivery and thereby making profit on the difference The growth of Bulling and Bearing business in modern markets has given rise to the development of the 'futures system which means that the goods are bought and sold now for delivery in the future, and neither *the goods are present nor payment is made* until the date of the completion of contract. Speculation contributes much to stabilize price levels, and the highly gradable commodities, which have a regular demand but seasonal supply, such as wheat, jute and cotton, are eminently suitable for speculative business

(5) *Rapid Means of Communication* The growth of modern organized markets has largely been attributed to the development of quick means of communication The operators in distant markets are intimately in touch with one another by means of the telephone system Since the movement of bulk is not a condition of sale, transactions for huge quantities can be effected by a few words of mouth, and the level of prices can at once be adjusted throughout the world by the aid of the telephone, telegraph, cablegram, teleprinter, radio, wireless reporter and airgraph

(6) *Central Organization* A tendency is found today to link up all markets with a central organization which runs the policy for the common interest of all its constituents Thus local markets are grouped together to form a regional or provincial exchange, which ultimately merge into the national exchange

The national exchanges may be affiliated to an international organization The advantage of this centralized organization is to enable the members to follow a uniform policy of business, to exercise control over the market operations and organization, to facilitate finances through clearing-houses, to control prices, and finally to safeguard the interest both of the buyers and sellers

(7) *Expert Advice and Publication of Reports* It is also the function of the modern organized markets and exchanges to render expert advice and technical aid in all matters pertaining to commercial transactions The publication of commercial information is to-day a very important business of all exchanges because such information helps to gauge the present and the probable future supply of the commodities or securities concerned. The quick dissemination of commercial news has been made possible by the development of rapid means of communication, of which radio broadcasts deserve special mention these days All information relating to business operations in the exchange is collected by experts and released to the press for publication in the form of Market Reports Many exchanges maintain a department for the collection and publication of reports in the form of periodical bulletins Market Reports have now become a regular feature of all exchanges and their importance to merchants and traders can hardly be exaggerated

## CHAPTER IV

# MARKET TERMINOLOGY

Market Reports are usually prepared by specialist reporters, business representatives, or newspaper correspondents The art of writing market reports has become highly specialized and the language employed is usually technical Concise expression and employment of the usage of business transactions have become indispensable for, and part and parcel of, Market Reports A businessman cannot, therefore, afford to neglect these terms and phrases without a knowledge of which Market Reports will remain unintelligible

It should also be noted that the use of technical vocabulary is always changing. As the machinery of marketing is changed, the old terms and phrases become obsolete, and a new set of terms and phrases is evolved to meet the needs of the times The student in order fully to grasp the meaning and application of the current terms and phrases should keep in touch with the latest reports appearing in standard commercial papers and journals

**Market Quotation.** A quotation is an offer to supply goods at a price stated, such as is forwarded in response to an enquiry, or published in a price list or catalogue A *market quotation* is a record of prices and terms on which transactions have been effected on an exchange It refers merely to price-current and is usually published in newspapers in the form of market reports

**Market Price** It is the price actually given in current market dealings, the price at which the demand and supply are equal It is determined at the meeting point of demand and supply for a com-

modity over a period of time Market price also indicates the price per unit of a commodity dealt in

**Market Value** It is that price of a commodity which a person can expect to receive in the market The market value is the average value of a commodity in a given market during a short period of time, as distinct from *normal value*, which can only be found by observing long periods. Market value also indicates the amount which can be obtained by selling an aggregate of goods or services in a given market as distinct from market price per unit

**Section** A modern market may deal in several commodities, one class of commodities, or only one type of a certain commodity When a market deals in one commodity or security only, and is organized into departments to deal with one quality, type or description of that commodity, each such department is technically known as a *section* Thus a Produce Exchange may have sections for wheat, barley, rice gram and oilseeds respectively A Cotton Exchange may have sections for Indian, American or Egyptian varieties, and each section may again be divided into sub sections, *e g*, the Broach, Oomra and Bengal in the Indian Cotton Section Similarly a Stock Exchange may have sections for shares, debentures, gilt edged securities, and sub sections for different classes of shares, such as ordinary, preference, deferred, or Industrials, Electrics and Railways

**Offtake** This term refers to the total purchases in a certain commodity made on the Exchange during a specified period, *e g*, 100 tons of wheat, 1,000 bags of sugar, or 500 bars of silver purchased on a market-day or during a market week Offtake is calculated on the basis of average purchases and applies to both spot and forward deliveries

**Turnover** The total amount of business done on any day or during a given period in the market is known as *turnover* This term also refers to total sales, in terms either of money value or of the quantity

of commodity, made by Branch Houses or Agencies for their Principals

**Glut** means an over supply of any commodity When more goods are put on the market than can be sold at a reasonable price, there is said to exist a *glut* in the market

**Haggling** is a process of agreement as to rates by making offers and counter offers Haggling is a common feature of retail markets, but the practice of haggling over quantities and values of certain commodities is not absent even in modern organized markets

**Dumping** refers to any kind of severe competition from abroad, resulting in the sale of imported goods at a price much lower than the current market price In their keenness to capture foreign markets, certain countries resort to the expedient of selling their goods below the cost of production, and thus acquire a monopolistic control of the market. In the post War period dumping was extensively resorted by Japan in Indian markets in respect of almost all manufactured goods

**Futures** An important feature of modern organized markets is the transaction of business by dealings in 'futures' It is a system of buying and selling some commodity in advance, at a price settled when the contract is made A futures transaction enables the owner of goods which he cannot immediately deliver, to deal with a person who wants to buy, but does not want delivery at once What gives importance to such transactions is that neither are the goods actually delivered, nor is the cash payment made for final settlement immediately

Dealings in futures have come to be recognized as legitimate and very useful for genuine trading It is common for businessmen to sell goods first and then to look for supply, or to purchase goods now and take their delivery in future when they will actually be in need of them In order to avoid the risks of business,

a manufacturer may enter into a contract with the producer for the supply of raw materials at a future date, whilst to ensure a ready market for his products, he may enter into a contract with consumers or traders to supply them his manufactured goods at a future date By entering into these contracts for the purchase of raw materials and the sale of his finished products, in advance, the speculator has protected himself against all possible loss that may come as a result of movements in prices

Futures contracts are either known by the name of the month in which they are to be completed, or by the mode of delivery, which is the essence of the contract For example, wheat futures at the Hapur Exchange are Jeth, Bhadon, Mangsir and Mah while at Bombay they are May, September, January and March Wheat futures at Chicago are May and July, and cotton futures at Liverpool are March and May Other types of futures are *July August Shipment*, *i.e.*, the goods will arrive in July August *To arrive*, *i e*, the goods will be delivered on their safe arrival at destination *For shipment*, *i e* the goods are to be shipped on a fixed date and on a named vessel *New position*, *i e*, the contracts will be completed on the arrival of new stock or the new crop—these are also known as new crop contracts

In actual practice, 'futures' contracts are settled by the payment of differences It has already been explained that in a forward transaction either for sale or purchase there is no actual delivery or acceptance of goods, but the contract is cancelled by the payment of the difference in the price of goods at the time of the contract and the time of delivery For example, A sells to B wheat for two months delivery at Rs 4 per md If the price of wheat rises to Rs 4 4 per md, at the time of delivery A simply pays to B four annas per md and cancels the contract This method of cancellation saves the trouble of moving goods to another party.

In a 'futures' transaction the dealer does not

usually take upon himself the entire risk of a single forecast, but covers himself against possible miscalculations by entering into a fresh contract with another dealer for part of his original loss The second dealer in turn passes on a part of his risk to a third, and thus the losses and profits of speculation are fairly spread over the entire market. Thus it will be seen that each futures transaction has a bearing on another, and all such transactions ultimately affect the market as a whole

**Bull.** When a speculator buys commodities on the exchange expecting a rise in price, so that he may be able to sell at a profit, he is called a *bull operator* The deal is purely speculative in nature, and the *bull dealer* has no intention of taking the actual delivery of goods or of making payment till the settlement day Meantime, if the price rises according to expectations, the *bull* may sell out and make a profit.

For example, Ram, a bull operator, expecting a rise in the price of wheat, buys 100 mds of Saharanpur wheat from Mohan at Rs 4 for delivery after thirty days If the price of wheat rises to Rs 4 8 before the arrival of the settlement day, Ram may take delivery, or resell at a profit of eight annas per maund to another party, or again settle differences with Mohan by taking his profit at the rate of eight annas and cancel his contract It should be noted that these transactions are carried on on a very large scale, and therefore the profits realized even on a slight or fractional rise in price come to huge amounts

Bull operators are variously known on the exchange, and the student will, on reading market reports, come across a large number of terms and phrases in this connection When a bull fails in his speculation he is called *disappointed* or *disgruntled*, and if he has to wait long till conditions turn in his favour he becomes *stale*, *tired*, *weary* When an operator acts as a bull, and never as a bear, he is called

*staunch* or *seasoned* bull When a large amount of business is done by bulls, the market is said to be *bullish*, or to have *bull support*, *bull outburst*, *bullish-activity*, and the tendency of rising prices due to bull operations is expressed as *bull factor, bull sentiment, long side of the market*

In American markets a bull is known as *long*, and a bull transaction is called *long deal*

**Bear** A speculator who sells now in the hope of a fall in price, and buys more cheaply at a future date when price has already fallen according to expectations, is called a *bear operator* He sell in the present when the price is high and buys in the future when the price is low, and the difference constitutes his profits He enters into a contract now, but does not deliver the goods or accept payment till the next settlement day

For example, Ahmed, a bear operator, sells 100 mds of wheat to Zaid at Rs 4 per md in the hope of a fall in price to Rs 3 8 If the fall takes place, Ahmed may purchase in the market and deliver to Zaid at contract price thereby making a profit of eight annas per md, or he may square up his account with Zaid by realizing the difference in price at eight annas per md. and cancel his contract Thus a bear sells a commodity which he has not got and makes profit on the transaction if prices move down according to his expectations.

Bear operators are known by different names and expressions on the exchange When an operator acts only as a bear and never as a bull, he is known as *tight* or *stark* If a bear fails in his speculation he is called *nervous*, *confused* if he has to suffer long on account of adverse conditions, he becomes *routed* or *broken* When the market records a heavy bear account the position is known as *bear support*, *bear sweep*, *bear drive*, and to indicate the falling tendency of prices due to bear operations, expressions

such as these are used. *bear factor*, *bearish sentiment*, *short side of the market*

The American equivalent for *bear* is *short*, and a bear operation is known as a *short deal*

✓ **Bullish** When the atmosphere in the market at any time for any commodity is dominated by an optimistic feeling of rising prices, the tone of the market is called *bullish* The result of such sentiment is to pull up the price level

✓ **Bearish** When a pessimistic sentiment prevails amongst the speculators, who expect a fall in price, the tone of the market is called *bearish*, and its effect is to pull down the price-level

**Bull Account** The preponderance of *bulls*, which represents an overbought position in any commodity, is called Bull Account. That is, when the speculative purchases made by bull operators, in a certain commodity, are far in excess of the speculative sales made by bear operators, the market is said to have a bull account If the bulls have bought a commodity for which they have not paid, nor taken delivery thereof, they are said to hold an *Uncovered Account*. The existence of a bull account in the market indicates bullish sentiment.

**Bear Account.** When there is an oversold position in a certain commodity, due to the preponderance of bear tran actions over bull operations, it is said to be a Bear Account If the bears have sold a commodity which they do not possess for delivery, it is known as *Open Bear Account*. The existence of a bear account in the market signifies a bearish tendency

**Bull Campaign** Sometimes a bull goes wrong in his forecast and finds that the price either moves against him or does not rise from level In such a case the bull tries to influence the movement of prices by artificial means Thus to raise the price, so that he may sell overbought stock at profitable rates, the bull circulates bullish news in the market through agents

or such other means The activities of the bulls in floating such rumours in the healthy market are called Bull Campaign or Bulling the market

**Bear Raid** Sometimes, when the bear position is oversold, and the prices have not fallen according to expectation, it becomes difficult for the bear to make purchases to meet commitments Therefore the bear operator tries to pull down prices by artificial means, i e., by spreading counter rumours or false bearish news, which depresses the market. This artificial fall in prices, which is caused by the bear to enable him to make purchases, is called Bear Raid or Bearing the market.

**Long Corner** When a bull operator forces up the prices against their natural tendency of normal fluctuation by persistently making heavy purchases of a certain commodity expecting to sell at the highest price before taking delivery, the operation is known as *cornering* the market When complete control of the entire supply is thus obtained, a *Long Corner* is said to exist The effect of such operations is that the prices of commodities concerned rise high and the market displays a vigorous bullish sentiment.

**Short Sale** If a bear operator persistently makes heavy forward sales of a commodity, which he does not possess for delivery to depress its market price, expecting to cover his sale by future purchase at a lower price before giving delivery, the operation is called *Short Sale* The effect of bear sale in the market is that the price of the commodity concerned declines sharply, and the market displays a bearish atmosphere

**Bull Liquidation.** The bull expects a rise in price to sell at a profit. If the price does not rise and the settlement or delivery day arrives, the bull has to sell his stock at a loss to settle his account. Sale under such circumstances is known as *Liquidation* or *Unloading* For example X purchased one hundred

mds of wheat at Rs 4 on expectation that the price would rise to Rs 4 8, before delivery is due If the price does not rise, it may even fall, and the settlement day arrives, X must liquidate his stock even at a loss to fulfil his contract If the price remains at Rs 4, the bull operator does not gain, if it falls to Rs 3-8, he loses eight annas per md. on cost or purchase price or on liquidation Bull liquidation shows, and often produces, a bearish atmosphere in the market and is instrumental in pulling down prices

**Bear Covering** A bear is sometimes under heavy commitments to purchase for delivery to dealers whom he has previously sold. If on the date of delivery the price does not fall, the bear operator must purchase at the same (contract price) or even at a higher market price, to make delivery When the bear is *forced to purchase stock at a loss*, it is called Bear Covering Suppose Z has sold 100 mds of wheat at Rs 4, hoping for a fall in price But the price of wheat at the time of delivery rises to Rs 4-8 Z *must purchase at this high price, at a loss of eight* annas per md., to cover himself Bear covering produces a bullish tendency in the market and ultimately forces up the price

**Trapped Bull** The bull, who has made heavy purchases, has *sometimes to sell to persons who are* aware of his overbought position The latter, therefore, keep out of the buying market as long as possible and thus force the bull to accept as low prices as possible. In his keenness to sell to unwilling purchasers the bull has to accept whatever price is offered him, and is thus said to have been *trapped* The effect of such transactions in the market is to lower the price, as a result of which the bull suffers a heavy loss Bull trapping is often the result of excessive bull liquidation and produces a downward tendency in the market.

**Squeezed Bear** When there exists a bear account,

the bear has often to purchase from persons who know his oversold position. The latter, therefore, secure as much supply as possible and then demand a very high price from the bear, who has now to purchase at any price. Under such circumstances the bear is said to have been *squeezed*. Bear squeezing is often the result of excessive bear covering. Its tendency is to force up the price and produce a bullish sentiment in the market.

**Rigging.** When speculators try to control the market by fictitious transactions so as to manipulate prices in their favour they form an organization to carry on their operations. Such organised transactions by bulls to raise prices are known as *Rigging*. The term is specially used in stock exchanges where the secret operations of bulls force up the price of a security artificially for their own profit. Rigging is a common feature of all futures markets.

**Arrivals.** A market usually opens transactions with stock in hand, that is stock brought forward from the previous business day. During the course of the business period the day or the week fresh stocks are brought to the market, and are technically known as *Arrivals*. This term does not indicate the total available supply but refers only to fresh additions to the total supply of a commodity in the market. In the wheat market *arrivals* are mentioned in terms of number of bags, in the sugar market in maunds, and in the hides market in number of pieces. Arrivals are mentioned in market reports to indicate an increase in the supply of a commodity, and such information has a close and direct bearing on the future course of prices.

**Rings and Pools.** These are organizations of dealers of certain commodities for speculative operations. These combinations are formed with a view to manipulating prices artificially in the market. A *ring* is formed to withhold the actual supplies of a commodity to raise its price in the market and thus to

make larger profits, whereas a *pool* is a combination of producers for the elimination of competition by agreeing to divide the total output or earnings on an stipulated basis

**Square Deal** This term is applied in *futures contracts* When a bull settles his account in a market by selling what he had purchased before, or a bear by purchasing what he had sold previously the operation is known as a *square deal* On the other hand, when a forward transaction is cancelled by a bull or a bear speculator, by the payment of differences, the operation is variously known as a *square deal settlement* or *switch off*

**Arbitrage** When different prices are prevailing for the same commodity in different markets, the dealers make simultaneous transactions with the object of making profit by the difference of prices existing at a given moment These are known as *arbitrage* transactions

The arbitrage operation is based on the simple principle of buying when the prices are the lowest, and selling when they are the highest An operator, in this type of business, who effects transaction in different places *at the same time* must be distinguished from the common type of speculator whose profits and losses are derived from price movements over *a period of time* The latter may operate in the same market at different intervals, while the essence of the former kind of operation is time The necessary conditions for arbitrage operations are (1) simultaneous transactions of sale or purchase at a given moment in different markets, (2) quick means of communication, (so that the operator may keep in touch with price movements in various markets of the country and abroad) (3) operations carried on in one and the same commodity at a time, (4) the calculation of parity price of a commodity in different centres

Before entering into an arbitrage transaction the operator must calculate the parity price of a

commodity between two or more markets In order to arrive at the parity price, additions and subtractions of certain charges i e, commission, insurance, freight, carriage and other incidental charges to market price are essential It should be noted that in calculating parity rates, all foreign quotations should be converted in one's own currency, preferably the home currency of the operator These parities are then arranged in the form of a table For example, the parity price of wheat for an operator at Delhi is arranged as follows

| | Rs | as | |
|---|---|---|---|
| Bombay | 3 | 12 | per bazar md of 82⅞ lbs |
| Karachi | 3 | 8 | |
| Hapur | 3 | 4 | |
| Lyallpur | 3 | 6 | |
| Calcutta | 4 | 0 | |

From the above quotations it will be noticed that it will pay the operator to purchase at Hapur and sell at Calcutta His gross profit will be Rs 4 (the sale price) minus Rs 3 4 (the purchase price)=as 12 per md The net profit will be arrived at by deducting all charges from gross profit An intelligent operator will at once find out, by calculating the margin of net profit, between what markets he should apply arbitrage

A table of parities may likewise be prepared for foreign markets The operation is made possible now-a days owing to the development of rapid means of communication For example, the parity price of wheat per cwt for an operator at Hapur is as follows

| | Sh | d | |
|---|---|---|---|
| London | 23 | 9 | per qr of 480 lbs |
| Chicago | 20 | 6 | |
| Odessa | 21 | 0 | |
| Karachi | 22 | 9 | |

He may buy at Odessa or Chicago, and sell at London or Karachi

It should however be noted that the margin of profit in arbitrage operations will depend on the extent of price fluctuation and the rapidity with which the deal is carried out If prices fluctuate widely, the profit will be high On the other hand, if the deal has not been made sufficiently rapidly, at least more rapidly than the movement of prices, an unfavourable fluctuation may turn profit into loss

**Hedge** A *speculator* who has entered into a futures contract may gain or lose by price movement If he wants to avoid a possible loss, he may do so by covering his risk through a counter futures deal One deal (futures selling) will therefore offset the risk of another deal (futures buying) This system of risk transference to ensure protection to the operator against unfavourable movement of prices is called *hedging* A *hedge operation* on the Exchange, therefore, signifies protection The effect of *hedging* is to ensure normal trading profit and to eliminate any speculative profit or loss due to price fluctuations For example, X buys today Java sugar *to arrive*, say, after three months, at Rs 10 per md. If, when he comes to sell his stock the price falls to Rs 9, he suffers a loss of Re. 1 per md. He can cover himself against this loss by selling an equal quantity at Rs 10 When he comes to purchase, he will make a profit of one rupee per md Thus the loss sustained in the former deal is offset by the profit realized in the latter The dealer may write off only part of his risk *with another dealer* and may *thus* be *partially* protected. Such operations are called *hedging*

Hedge operations are performed under two circumstances *first*, when a speculator protects himself against a rise in price, or covers himself against a loss in buying transaction, and *second*, when a speculator hedges against a fall in price, or protects himself against a loss in selling transactions Thus a manufacturer, who has to deliver his goods in future at a price contracted today, may protect himself

against a probable loss caused by a rise in price of raw materials, by buying a futures in raw materials for the required quantity. He covers himself against a loss in buying transaction On the other hand, a biscuit manufacturer begins to produce biscuits by buying wheat flour at the current price If the price of wheat flour falls before his biscuits are marketed, he will have to sell low and suffer a loss, because the price of biscuits will fall in sympathy with the price of flour The manufacturer, therefore, hedges his purchase of spot wheat flour by making a contract to sell an equal quantity in the future Thus the loss sustained on the sale of manufactured products in the event of a fall in price, will be counterbalanced by the profit realised on the futures contract in flour, because the manufacturer can now purchase wheat flour at a cheaper rate for delivery than what he has contracted for The manufacturer, in this instance, hedges against a loss in a selling transaction

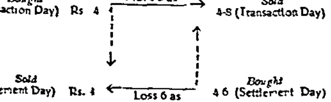
**Straddle** It is a form of speculation in which an operator tries to make profit by speculating on the gaps between the prices of different qualities of commodities or between the future prices of a commodity The former type of business is done usually by a special class of speculators known as *Spreaders*, but straddling proper is confined to speculation on the difference in prices of different futures of a commodity in the same market, or on the difference in prices of the same future of a commodity in different markets, or again on the difference in two or more future prices of a commodity in two or more markets

For example, Z buys jute for April delivery at Rs 50 per bale, and sells the same quantity for May delivery at Rs 51 If the price remains the same in April (the time of purchase) and May (the time of sale), the operator pockets a clear profit of Re 1 per bale Even if the price of Jute rises or falls as a whole, he makes a profit, provided the difference between the two future prices is less than rupee one But if the difference in the two prices is more

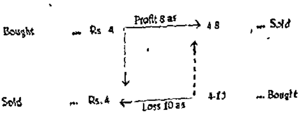
than one rupee, he loses, for in that case he will have to purchase, to settle the contract, at more than Rs 51 per bale at which he sold.

Take another illustration. A straddler finds that the price of May wheat future is Rs 4 at Hathras and Rs 4 8 at Meerut on a certain market day, and there is a gap of annas eight in the prices of the same future, in two different markets. If after taking into consideration the cost of transportation and other incidental charges the speculator finds that this difference in price is abnormal and the high rates quoted at Meerut are likely to fall in the near future, he may buy at Hathras and sell at Meerut an equal quantity of May wheat. He will make a profit if the gap between the two rates (quoted at Hathras and Meerut simultaneously, narrows down, but suffer a loss if the gap widens. This profit or loss will be in proportion to the shrinking or widening of the price-spread. In the above example, if the difference between the prices at Hathras and Meerut narrows down to six annas, the straddler will make a profit of two annas per md. by buying the May future in Meerut and selling at Hathras, if the gap widens to ten annas, the operator will lose two annas per md on the deal

*Hathras* *Meerut*

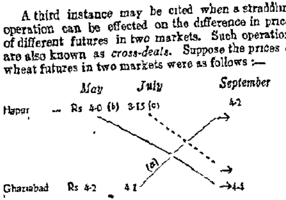



*Net Profit 2 as per md*




*Net Loss 2 as. per md*

A third instance may be cited when a straddling operation can be effected on the difference in prices of different futures in two markets. Such operations are also known as *cross-deals*. Suppose the prices of wheat futures in two markets were as follows :—




*Cross gaps* (*a*) = 1 anna ; (*b*) = 4 annas , (*c*) = 5 annas

The straddling operation will be made in cross futures, *viz.*, between the gaps in prices of (a) Ghaziabad July future and Hapur September future (*b*) Hapur May future and Ghaziabad September future ; (c) Hapur July future and Ghaziabad September future These positions have gaps of one anna, four annas and five annas respectively. If the speculator has reason to believe that these differences or gaps are likely to become less in future, he may sell in the Hapur, Ghaziabad and Ghaziabad markets, and buy

in Ghaziabad, Hapur and Hapur markets, the same quantity of wheat for each position respectively, and thereby make a profit on each such deal

**Spreader** represents a class of speculators which specializes in trading between markets or between the difference in the future prices of different qualities of a commodity The function of a *spreader* often overlaps that of a *straddler* "A spreader, for example, may be *long* the September future and *short* the December future to a corresponding amount in the same or in different markets, hoping to profit by a change in the price spreads between them."

**Pit Trader** represents a class of speculators who buy and sell in large quantities during the trading season on calculation that makes them generally *even* or *square* at the end of the season A *pit trader* is also known as *Scalper* on the American Exchange

✓ **Switch Over** In the futures market it is usually the practice for operators to seek a transfer from one future position to another This is variously known as *switch over*, *change over*, or *badlan* Thus an operator may *switch over* from July future to September or from Bhadon contract to Mangsir The necessity for such change over arises from the fact that a person who has bought or sold July cotton may find that the prices in July will not likely be in his favour, but may move favourably thereafter, and he should resort to that position He will therefore, square up his deal for July and enter into a fresh contract for August or September on the basis of the previous contract For this privilege the operator will have to pay a premium called *Badlauni* at an agreed rate

**Option** A deal in *futures* often involves a privilege in respect of buying or selling, known as *option* It is an arrangement or right to buy or sell a certain amount of commodity at a fixed price within a prescribed time This right is bought or sold by the payment of a consideration price, called *option money*, which is fixed at a percentage rate of the price at which

the commodity is to be delivered to the party yielding to such an arrangement Four types of operations exist on the exchange, namely, Call, Put, Double and Gale

*Call Option* or *Teji* is an arrangement to buy goods The buyer of a call option acquires the right *to call upon the other party to deliver a certain amount of commodity at the contract price within a fixed time* The speculator who desires to make profit by an anticipated rise in price is called *the buyer of the call* or *teji walli* For example, A buys a *call* from B for the purchase of a certain quantity of wheat at Rs 4 per md. within a stipulated period. If, meantime, the price rises to Rs 4 4, A can apply *call* and order B to deliver the stipulated quantity of wheat to him or to his customer, and thus make a profit of four annas per md minus the option money If the price remains unchanged A will lose to the extent of the option money, while a fall in price to Rs 3 12 will mean a loss to the purchaser of the call of annas four per md. plus the option money

On the other hand, a dealer may acquire a right to sell a certain quantity of commodity at a fixed price within a given time This is called *Put Option* or *Mandi* It is an insurance against a possible fall in the price of a commodity The speculator who aims at making profit by an anticipated fall in price is said to be *the buyer of put option* or *mandi walla* For example, A acquires from B the right to sell a certain quantity of wheat at Rs 4 within a given period. Meantime, if the price fall to Rs 3 12 per md, A will apply *put* and deliver or sell to B at the contracted price of Rs 4 and make a profit of annas four per md minus the option money If the market remains steady and the prices fail to move down the operator will not make any profit and will lose his option money only In case the price rises to Rs 4 4 A will lose at the rate of four annas per md. in addition to the forfeiture of the option money

There is often some dealer on the exchange who

seeks an insurance against the movement of market price either way. He, therefore, acquires both a right to buy or sell a certain amount of commodity at a fixed price for delivery within a fixed period of time. *This combination of put and call options* is called Double Option or Najrana. The buyer of a Double Option has to pay double consideration price or option money, *i.e.*, one for buying the right to *call*, and the other for acquiring the privilege to *put*. For example, C buys a Double Option from D to purchase or sell a certain quantity of wheat at Rs 4 within thirty days from the date of the contract. If the price remains the same during this period, it is not worth applying either *call* or *put*, and C will lose the Double Option Money. In the event of a rise in price to Rs 4-4, C will exercise his *call* and make a profit of four annas per md., or a fall in price to Rs 3-12 will induce him to exercise his *put* and score a gain of four annas per md.——of course the option money will have to be deducted in either case to arrive at the real profit. Since the rate of Double Option Money is higher than *put* or *call* money separately, the margin of profit is slightly smaller in a combined deal.

When a speculator does not find it convenient to apply either of the call (teji), put (mandi) or double (najrana) option, at the price current of a commodity in the market, he resorts to another form of operation, known as the Gale Option, whereby he secures the right to buy or sell a certain commodity at a price higher or lower than the current market price ruling on the day of the contract. The essence of Double Option is *time*, whereas that of a Gale Option, *price*.

CHAPTER V

## WHAT A MARKET REPORT IS

A modern market provides facilities not only for gathering of buyers and sellers, for fixing prices and grading commodities, but also for the publication of the records of business transactions over a specified period. Such periodical publications are called Market Reports. A Market Report shows the state of the market in a given commodity, or in given commodities, on a specified date or for a certain period. The report, therefore, contains detailed particulars of business transactions on the following lines —

(a) Date and place of business

(b) Period under review, i e, day, week, month

(c) Types and qualities of commodities dealt in

(d) Estimate of demand and supply at the time of reporting

(e) Nature of business transacted, terms of delivery and payment

(f) Volume of business, i e, stock available and quantities sold

(g) Ruling prices for different qualities of commodities at which transactions were made

(h) Fluctuations in prices, local and outside factors influencing the rates

(i) *Remarks of the reporter—forecast of business conditions, i e, prospects of business*

The main purpose of Market Reports is to indicate the determination of prices on any market in accordance with the laws of demand and supply. If more goods are brought for sale than are necessary to cover the requirements of the purchasers, the prices are low and the market displays a dull condition of business. If the demand exceeds the supply, the prices tend to rise and the market becomes active.

Thus in order to effect transactions, the market price is adjusted at a point where the supply of a certain commodity is balanced with the demand forthcoming at the prevailing price In what manner these operations take place, and to what extent the fluctuations in prices are caused by internal conditions present in the market or by external forces beyond the control of the market, is described in the Market Reports, and the trader can easily and readily speculate the probable trend of future prices and the course and volume of business Since market transactions are concentrated on speculative operations, the success of speculation depends both on the correct writing and the intelligent and shrewd reading of market reports

A Market Report in an index to business conditions prevailing in a particular market, at a specified period, or on a fixed day The prices, therefore, mentioned in the market report are merely '*prices current*,' which indicate the tendency of rates at which transactions were concluded Prices current, it should be noted, do not indicate an offer for sale at these rates, but indicate merely the prices of certain commodities ruling at a particular time (when the report is written) in the market, and are liable to rise or fall meantime any transactions are made Unlike the 'price list or 'catalogue price', the seller cannot be called upon to sell at the 'price current The quotations in the Market Reports are therefore mere indications of price movements

Market Reports are published in trade journals, dailies, weeklies, or in the form of bulletins and special lists, and are issued in respect of practically every type of market A report may be drawn up for one single day of business, usually called the Market Day, on which the largest number of transactions is made, or for a number of days, usually one week

A Market Day Report is usually written to show the state of sensitive markets, or markets

Quinquennial Reviews are prepared to survey the progress of business over long periods

Market Reports should be considered valuable documents of commerce They have now become indispensable to the normal operation of business in modern exchanges The importance of market reports has grown tremendously with the steady expansion of markets in India and the utility of studying them has not only been recognised by all classes of merchants and traders, but also by students of commerce and the educated class in general The advantages of Market Reports, which are purely of academic interest to commercial students are briefly mentioned below —

(1) They render a true account of the nature and volume of business transacted on the Exchange

(2) They provide data for speculative enterprise by accurately gauging the demand and supply of the community

(3) They serve as an index to future movements of prices

(4) They tend to stabilize prices in all markets by publishing rates and thus prevent profit taking by arbitrage operations

(5) They enable the traders to make a comparative study of several markets for one commodity and also of different commodities, at different periods in different markets of the world

(6) They bring the market to the door of the trader and offer opportunities for safe investment

(7) They facilitate the sale of commodities brought in the market by serving as media of advertisement.

(8) They offer opportunities to commercial students and the public in general to come in direct touch with the commercial world and to understand readily and easily the highly specialized operations of the modern market

(9) They create public opinion by their commercia lizing influence on the minds of the news paper read ing public and thus foster the cause of trade and com merce in the country

(10) They const tute a new form of commercial literature—which though yet in the process of forma tion—will be of much value both to the academic and the commercial interests of the trading nations

## SPECIMEN REPORTS

### EXAMPLE 1 *MARKET DAY REPORT*

HAPUR WHEAT MARKET

Hapur February 8

The market opened quiet on the news of good rains in the Punjab last night There was restricted business and arrivals were negligible The bearish conditions were strengthened in the afternoon and prices fell down considerably owing to speculative liquidation The market closed quiet The following are the quotations for the day

**Wheat** Opening Ready Khatti Rs 4 6 Jeth Rs 3 15 Last nights closing Jeth Rs 3 14 10½ Highest Rs 3 15 3 Lowest Rs 3 14 9 Stock Khattis 140 Pre ent Jeth Rs 5 14 10½ Nazrana Phalguna As 2 6 Jeth As 5-4½

**Gram** Ready Rs 4 0-6 Jeth Rs 3-7 3 Stock Khattis 9 No arrivals

**Arhar** Ready Rs 3 2 0 Jeth Rs 3 6 63 Stock Khattis 26 Jeth unquoted

**Barley** Ready Rs 2 15 0 Jeth Rs 2 12 0 Stock Khattis 25 Jeth unquoted

### EXAMPLE 2 *WEEKLY MARKET REPORT*

HAPUR WEEKLY WHEAT MARKET REPORT

Hapur May 25

During the week under review the local wheat market remained very steady and a further gain in

the new wheat futures has been recorded This was despite the Central Government's best efforts to counteract this tendency by making several announcements in quick succession which under normal conditions should have depressed the market considerably The rumour that Government is contemplating an increase in the maximum wholesale control wheat price was strongly denied and secondly it was announced that the Government has no intention of allowing unrestricted exports to foreign countries. The Wheat Commissioner refused to entertain applications for exports of wheat from the U. P unless normal conditions are restored But *the market did not react to these announcements* and continued to rise higher and higher

The steadying factors were the very slow arrivals, *bullish stock position*, good speculative and short covering support, and the very steady course of all other foodstuffs and seeds markets *Arrivals* at Hapur were again very poor during the week, averaging 4,000 maunds daily. Of the new crop arrivals not more than 20 *khattis* are estimated to have been stocked, while at the corresponding period last year 639 *khattis* had been filled up Arrivals of gram, barley and peas have likewise been very small The present stock at Hapur is only 20 *khattis* while last year it was 640 *khattis* It must, however, be noted that apart from this stock figure, almost all consumers of means have stocked or are stocking wheat and possibly other grains also for their individual requirements to the utmost of their capacity. Nevertheless, considerable wheat has been withheld in the villages and is not being marketed at the current levels

Ready wheat demand, mostly from the local consumers and stockists and also on behalf of Rally Brothers, was most encouraging Prior to the commencement of the new crop arrivals, we had seen that there was no seller at the maximum control rate and that wheat was being sold and purchased at a price

higher than the fixed, the additional premium being negotiated and privately paid Something of the sort is again taking place these days The prices of gram, barley and peas have risen considerably Gram is presently quoted at Rs 4 13 6 *Jeth*, barley at Rs 4-2-6 and peas at Rs 4-5-6 New wheat is being sold from 8 1/4 to 8 seers per rupee according to quality

*Jeth* had closed at Rs 4-13-4 on Friday last. Highest during the week touched yesterday at Rs 4-15-1 1/2. At higher levels there was some profit-taking liquidation and slight reaction Presently it is quoted at Rs 4 13 4

—*The Pioneer.*

## EXAMPLE 3 *MONTHLY MARKET SURVEY*

### DELHI PRODUCE MARKET

*Month of November, 1942*

Delhi, Nov 30

A notable feature of the month under survey is that firm rates have prevailed throughout in all sections and the undertone remains bullish An improvement has been observed in upcountry demands for ready goods, but arrivals are on an average, small, and local stockists reserved In the first week the market displayed bearish tendency on account of price-control measures, and the sagging sentiment continued in the second week, particularly in cereals In the third week, demand for wheat flour flared up owing to scarcity of ready stock and scantiness of arrivals from the Punjab There was an all round firmness during the past week due to upcountry and local demand The month under survey has been on the whole fairly steady, and the closing quotations confirm the return of bullish sentiment

Statement showing the prices current in the Delhi Market for the month of November, 1941 —

EXAMPLE 4 *ANNUAL REVIEW*

## Wheat in 1941

### AN EVENTFUL YEAR FOR INDIA'S WHEAT TRADE

*Wide fluctuations and heavy rise in quotations— Government's intervention, a notable feature*

The year 1941 has been a very eventful one from the point of view of the wheat trade in India There were very wide fluctuations in prices which gradually soared higher and higher necessitating frequent Government intervention and culminating in the enforcement of the All India Control Scheme which has resulted in a virtual stoppage of business in this commodity Trading towards the close of the year was everywhere disorganized and serious apprehensions were discernible in almost all the markets The following is a brief review of the main events, month by month —

### January

The year opened on a cheerful note Poor stocks, fair domestic demand and occasional shipments counteracted bearish influences of widespread rains, promising crop outlook, and anticipated free flow of supplies in the season. Prices were well maintained

### February

There was a slightly bearish tendency due to excellent weather conditions, moderate demand, increased arrivals at the ports, poor exports and the downward tendency in other cereal markets Prices touched their lowest for the session

### March

Harvesting began in the U P under ideal weather conditions and, although the balance of the old crop on hand was very small and the prospects of exports a bit brighter, the imminence of the new season's yield dominated the sentiment Wagon supply for commercial purposes was seriously curtailed, resulting in restricted buying interest Towards the close hopes

of imminent exports were again revived Movements in prices were not very violent

## April

The month opened with expectations of expansive buyings for military purposes and some activity was evinced by shippers in the first instance, but, towards the end, the support lent by this important factor was lost, primarily due to tonnage difficulties

## May

The main features in the bazar were moderate internal demand restricted wagon supply retarding trade, and the continuance of the Punjab deadlock The impression that available supplies of wheat may not suffice for the country's. normal requirements began to grow in well known quarters

## June

During the month there was a sharp rise in wheat quotations due to the following bullish factors Bullish supply position, increasing demand both in the up-country markets and at the ports, both attributable to military requirements and the failure of the rice crop, stimulating influence of the cotton and other markets, uncertainties of the political situation and the growing danger to India, and finally, the outbreak of the Russo German war which hardened the sentiment remarkably

## July

The pausing tendency of the preceding month continued for some time, mostly due to restricted trade Climatic conditions favoured the bears, although showers were light Towards the end there was a sudden rise in prices The proximate cause of this upheaval was admittedly the deteriorating weather prospects in the U P and the Punjab, where the absence of adequate moisture began to be viewed with increasing concern

### August

Price control was introduced at Hapur and other U P markets Speculative activity contracted as a result. The outlook grew somewhat obscure towards the later period, on account of weather conditions and the deteriorating Far Eastern situation.

### September

A battle royal was fought between the bears and the bulls in this month. The Allied victory in Iran and the declaration that help would be rushed through Iran definitely improved prospects of heavy Indian wheat exports The bears on the other hand, took their stand on the realization that a relatively high price level had already been reached, price control undoubtedly exercising a certain restraining influence and the downward trend in the other markets Then there was the reduction in the import duty on wheat. Prices recorded a small decline

### October

The sagging in the values recorded towards the end of September was seized upon by strong speculative bulls as an opportunity for actively re-entering the markets There was good deal of buying for export.

### November

This month had a quiet opening. The anticipated export demand did not materialize The inadequate tonnage available retarded despatches to the Middle East. Harvesting of *saucars* crops was completed and a satisfactory aggregate outturn visualized

### December

The continued rise in prices obliged the Central Government to take very drastic steps On th December it announced its decision to prohibit wholesale transactions at rates above Rs 4 6 The above rate was fixed for Hapur and Lyallpur and elsewhere, prices were to be fixed by normal adaptation. The

Governments of India also removed the import duty on wheat altogether As a result of this, local Governments have fixed maximum prices on account of which a large number of speculators, middle-men, and retail dealers have suffered serious losses

The following are the fixed prices —

Calcutta—Punjab dara Rs 5-12, Flour, household Rs 8, Atta D Rs 6-4

Bombay—Punjabi and Hapur Rs 5-12 f. o. r. Bombay, ex godown Rs 6, Karachi Rs 5-12, retail price Punjabi Rs 6-5

Hapur—Ready wheat Rs. 4-6 per maund.

Lyallpur—Ready wheat Rs 4 6.

clear and be appreciated, and the reader will ultimately fail to achieve his object An intensive method of studying market reports is advocated because some amount of thinking is always necessary to make obscure points clearer and for the appreciation of the true significance of the writer's ideas

The art of reading a market report is largely acquired It is developed both by training and practice, but more by practice than by theoretical training Assuming that the student has completed a course of studies in theory that he has acquired a knowledge of market organization, that he has mastered the essential terms and phrases, which are of common occurrence in the course of business transactions, that he has fully recognized the aims and objects of a market report there still remains the problem of interpreting most rapidly and accurately the information contained in a report Therefore, in order to acquire the art of reading a report, it will be necessary to study its structure and to acquaint oneself with the mode and manner in which the details and nature of transactions are expressed The essential parts of a complete market report, which are of interest to the reader, and which he should master for a correct understanding, are —the type of the market report, the nature of commodity reported, the tone of the market the volume of business transacted, the tendency of prices, and the critical opinion of the reporter It is these features of a report which the reader aims at understanding, and if he can grasp their true significance, he is supposed to have read the report correctly and intelligently

This, in brief, is the technique of reading a market report which all students of commerce should learn In the following pages we have detailed the essential constituents of a complete market report, and a closer study of these parts will enable the student not only to understand its structure, but also to analyze its component parts with a view to clearer understanding

**(1) Type of Report.** The first essential of reading a market report is the recognition and classification of its type. A type represents the class to which the report belongs. The reader must at the outset find out whether the report he is going to read is a market day report, a weekly summary, or a periodical review. What type of commodity does the report represent: produce, money or stocks and shares? Which market place or exchange is represented? It has already been remarked elsewhere that there is too much specialization these days in matters of business operations, hence in the nature of reports and if the student fails to recognize this feature, he is liable to commit serious blunders both in understanding and in interpreting the highly specialized terms and phrases. There are set terms employed in Commodity or Capital market reports, as there are for Daily, Weekly or Annual reviews. If a student correctly recognizes the type of report, he will have little difficulty in reading and mastering it.

**(2) Tone.** This term refers to the state of the market in regard to the usual and natural course of business. It is used to convey the considered opinion to the writer about the market, or to describe the essence of business conditions. Thus the *tone* of the market may be *firm* or *quiet*, *steady* or *nervous*, *strong* or *weak*, *cheerful* or *depressed*, *confident* or *hesitant*. These expressions are variously used to indicate the comparative strength of buyers and sellers, the volume of business transacted and the tendency of prices, which together contribute to the formation of a typical *atmosphere*, *mood*, *sentiment* or *tone* of the market. If the *tone* is bright or firm, there are more buyers than sellers, transactions are numerous, prices are advancing; if the *tone* is dull or weak, the state of business conditions will be reversed. The student will come across the following expressions occurring as openers to indicate the tone of the market:—

(a) The tone of the market is bright.

(*b*) The market opened weak

(*c*) The market closed flat

(*d*) A firm tone was displayed throughout the week

(*e*) The market firmed up and closed steady

(*f*) A dull and featureless week is to report

**(3) Tendency** This term denotes the present trend or movement of prices It gives to the reader an idea of the probable changes in the level of prices and the prospects of business Thus the *tendency* of the market may be *rising* or *falling*, *upward* or *downward*, *spurting* or *receding*, *hardening* or *sagging*, *optimistic* or *pessimistic* An upward tendency indicates the presence of good demand, heavy transactions and rising prices, whilst the downward tendency will naturally point to slack business, few transactions and low prices When prices in the market fluctuate abruptly, they are short-lived, if gradually, they indicate a lasting turn in business Likewise, when prices rise or fall by a wider margin, they indicate a temporary phase in fluctuation, while a movement within narrow limits is a sign of natural and normal fluctuation Such abrupt fluctuations are expressed by terms such as *spurts*, *dips*, *rallies*, *recessions*

It should be noted that the terms *undertone* and *undercurrent* are also used in the sense of '*tendency*', but they indicate a future tendency of prices The following expressions will be met with in reading market reports —

(*a*) The market showed a downward tendency.

(*b*) A better undertone was displayed in all sections

(*c*) A deterioration set in at the close

(*d*) There were spurting movements throughout the week.

(*e*) The market was bullishly inclined with a strong undercurrent of enquiry.

(*f*) The market shed the advance at the close

**(4) Nature of Business** means the transaction of business in an organized market on various terms and conditions of delivery. When goods are sold for immediate delivery, the transaction is called Ready or Spot The goods for ready delivery are usually demanded by traders to replenish their stocks, by consumers for direct consumption, or by manufacturers to meet their immediate requirements for raw materials The nature of such transactions is also expressed as *ready demand*, *near positions*, *on spot*, *local deliveries*, *ready lots* When goods are sold for future delivery, the transaction is called Forward or Future Dealings in futures are also known as *contracts*, *positions distants*, and may include other transactions in which the goods come into the buyer s possession at a later date, for example, *goods to arrive*, *ex ship*, *ex quay* The following expressions will usually be encountered :—

(*a*) Ready demand was dormant

(*b*) Rates are quoting higher for all positions

(*c*) In the ready section there is yet no demand

(*d*) Mills have been consistent buyers of contracts

(*e*) Bazar operators were selling for near positions, for replacement with purchases for farther positions

(*f*) The feature of the week was the relative shortage of contracts in nears, while distants were mostly neglected

**(5) Volume of Business.** Price alone is not an index to the business conditions on the exchange The volume of business must also be taken into consideration, because the movement of prices is ultimately bound up with the volume of business transacted during a specified period When business is done in

small quantities, the activity is said to be *dull, stagnant, irregular, uncertain, on small account, small lots, odd lots* On the other hand, business may be *heavy, brisk, on large account, on a broad scale* It is natural that small scale business will be done if prices are not high, while the volume of business will increase under favourable conditions The usual expressions are —

(a) Brisk business was effected

(b) The market was featureless

(c) Trading was restricted to small odd lots

(d) Large doings enlivened the market

(e) Moderate turnover is reported in coals

(f) Heavy buying was reported from the countryside

**(6) Market Quotations** There are different practices in quoting prices in different markets In standard commodities which are dealt in on the international exchanges, there may exist a uniform system of quotations, but in local and country markets these are based on the commercial usage of the place

In commodity markets, prices for grains are quoted in bazar maunds of 82$\frac{2}{7}$ lbs (standard weight), cotton and jute in bales of 440 lbs (pucca) and 280 lbs (katcha), tea in chests of different weights ranging from 100 lbs to 800 lbs or more, rubber and hides per lb, oils and fats per lb or cwt, minerals and ores per ton or cwt, gold and silver per oz or per tola In the retail markets, where the report is for Market Day, prices current are quoted usually in lbs, seers, or maunds In the stocks and shares exchanges the quotations indicate the market value of securities which may be at par, at a premium or at a discount It is for the reader to find out the nominal value of these securities from the stocks and shares directories For example, the quotation may be as follows —

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Associated Cements Rs 120. (Ordinary shares of Rs 100 each quoted at a premium)

6°/o Murarjee Debentures Rs 100 (Debentures of Rs 100 each quoted at par)

Amalgamated Electrics Rs 97. (Ordinary shares of Rs 100 each quoted at a discount).

In the money and exchange markets rates are quoted in terms of interest and discount which represent the price of using money. For example the price rate of interest) of a short term loan may be one per cent and more for a long term loan Exchange rates are quoted both in the debtor's and creditor's currency, but all business is confined to exchange banks and discount houses which constitute the foreign exchange market

The fluctuation of prices is variously termed on the exchange When the price is the highest that can be paid by buyers, it is known as *peak-price, top price, cap price*, while the lowest touched is indicated by *bottom, rock-bottom, base* Other terms which are used between these extremes are *moderate medium, on level, normal* When prices rise suddenly and by a wide margin, the movement is known as *spurts* or *rallies*, when there is a deep and abrupt fall in prices it is known as *dips* or *recessions* When the upper margin for price has been reached at which the buyers stop business, the phrase *with buyers over* is used If the lowest limit has been touched, compelling the sellers to withdraw from business, the phrase *with sellers over* is employed In short, the phrase *with buyers over* is used when there are more buyers than sellers in a rising market and *with sellers over* when the sellers exceed the buyers in a falling market

In studying the movement of prices the student should take note of the term *reaction* which is of common occurrence in all types of reports It indicates a reversal movement of prices when the upward or downward limit is reached. A rising price has an upper limit, on reaching which it *reacts* and

begins to fall Similarly, when the lower limit is reached, the price *reacts* and begins to rise The two forms of reaction are given below —

(a) Reaction from = *fall in price from the highest* level or peak rate This indicates a downward movement and is therefore considered unfavourable for the market.

(b) Reaction to = rise in price from the lowest level or bottom rate This indicates an upward movement and optimistic conditions in the market

There is a large number of words and phrases to express the fluctuation of prices, and each of these serves to indicate a particular trend in price movement A few of these are given below for the guidance of the readers —

| | |
|---|---|
| Hard ... .. | A price which shows a tendency to rise |
| Soft ... ... | Low price, indicating a downward tendency. |
| Shade ... ... | Slight rise or fall, that is, movement in price by a narrow margin |
| Easy ... ... | Falling prices, or low prices ruling in the market |
| Set-back ... ... | A fall in price after a period of healthy business. |
| Improvement ... | A rise in price after dull conditions |
| Flat . . ... | Low price, almost reaching the bottom |
| Brightened ... | Prices rose due to the revival of demand. |

| | |
|---|---|
| Depression .. | State of falling prices |
| Strengthening ... | Rising, improving or increasing |
| Selling limits ... | Sale price, or the minimum rate quoted by the seller. |
| Attractive levels ... | High prices at which good business was expected. |
| Gained ground ... | Recovered, i.e., prices have again risen after a dull period |
| Shed the advance .. | The prices fell by the margin of advance over previous rates |
| Boom ... | A period of rising prices and heavy business. |
| Slump ... | A period of falling prices and small business |
| First-hand quotations | Prices quoted by manufacturers or producers to consumers or traders directly. |
| Second-hand quotations | Prices quoted by traders to traders or consumers |

(a) There will be heavy purchases on small declines.

(b) The hardening tendency will not be long.

(c) Jute has reacted a few annas from the top

(d) On a bottomless market sellers kept aloof.

(e) The market brightened a little but closed flat.

(f) Sales on spurts, purchases on recessions, are advisable.

**(7) Forecast.** The real value of a market reports if judged from the efficacy and truth of the writer's

own reflections This is an impartial critical estimate of the business based on the facts and figures under review The writers conclusions, usually sound if intelligently deduced help the reader to forecast the future course of events Expressions such as the following will be found in almost all properly written and complete market reports —

(a) Nevertheless, the decline is temporary

(b) The revival of strong speculative activity is in evidence

(c) There is every reason to believe that the set-back is short lived and a reserved deal is sound

(d) War orders are a dependable factor and the market has turned optimistic

(e) The rumour of increased taxation has created a bearish sentiment and depressed the market.

(f) Despite this predominantly bearish view, there are still optimists in the market who adhere to our sentiment that present conditions do not warrant hopes of any serious and permanent fall in the old positions

### MODEL READING EXERCISE

## CALCUTTA STOCK EXCHANGE WEEKLY REPORT

Calcutta, January 1

**Original.** The market opened firm Last weeks closing quotations were fairly steady Due to the out break of the Anglo-Japanese war, speculative business was much in the showing and spurting movements were witnessed in all sections during the week under review Dealings were mostly confined to futures and speculative demand was strengthened from upcountry buyers Large business was done

in industrials and electrics, and scrips of all description showed a strong undercurrent of enquiry. Tata Deferreds touched Rs 2,390 with buyers over, while Bombay Dyeings were crossed at a new record level of Rs 1,210. The course of the European war is the dominating factor which influenced trading and determined prices on the local stock exchange. The successes for the Allies will continue to bring about investment demand and broaden simultaneously speculative activity which ultimately must lead to an improvement in all values.

**Comment** The above is a short but complete Weekly Market Report of the Calcutta Stock Exchange. The report opens with the description of the state of the market during the week under review. The student will notice on the first reading that the writer displays an optimistic tone. The beginner is advised to read the report as many times as he considers necessary for his own understanding and then to set out to analyse it on the lines outlined in this chapter. He should analyse the report as he is used to analysing a passage in English grammar on tabular method. He should make a table with eight columns, each for one part of the report, and after a careful reading, pick out the relevant parts for placing them in the columns concerned. Unimportant points and irrelevant portions should be omitted. This done, the student will be in possession of the essence of the report, properly arranged and tabulated, for an easy and quick understanding. An analysis of the above report is given below for model reading —

MODEL READING ANALYSIS

| | |
|---|---|
| (1) Place and Date | .. Calcutta, January 1, 1942 |
| (2) Type of Report | ... Weekly, Stocks and Shares Market Report |
| (3) Tone .. | ... The market opened firm |
| (4) Tendency | . Spurting movements were witnessed in all sections |

| | | |
|---|---|---|
| (5) Nature of Business | .. | Dealings were mostly confined to *futures* and speculative demand was therefore evident. |
| (6) Volume of Business | ... | Large business was transacted in Industrials, and there was a great demand for other classes of shares also. |
| (7) Market Quotations | . | Tata Deferreds touched Rs 2,390, with buyers over, while the Bombay Dyeings reached a new record level at Rs 1,210 |
| (8) Forecast | ... | The course of the European war is the dominating factor. The successes for the Allies will continue to bring about investment demand, and broaden simultaneously speculative activity, which ultimately must lead to an improvement in all values |

HINTS FOR READING MARKET REPORTS

(1) Read the original form end to end, to get a general idea or from a general opinion on the subject This reading will at once create that atmosphere in the reader's mind which is necessary to concentrate one's attention for a clearer and quicker understanding This is the first, or *Preparatory*, stage in Reading

(2) Read again to ascertain what the report is about Find out, which market or commodity the report represents, and whether it is a weekly or daily report This is the second, or *Cognitive*, stage in Reading

(3) Read the third time, carefully and slowly, till you determine the principal ideas and get into the spirit of the original thought Make an intensive study of important statements, technical terms and phrases, colloquials and slang and render correct interpretations Underline essential ideas or make marginal notes Unfamiliar words are often understandable when studied with reference to the context This is the third, or *Explanatory*, stage in Reading

(4) Analyse the report into its component parts Arrange them in proper sequence by preparing a tabular statement, bearing in mind that each part represents the whole, and none can be omitted or misplaced. This is the fourth, or *Analytical* stage in Reading

(5) Supply an argument for every statement made in the original by the reporter Search for the arguments in the report itself, supply it if missing Try to understand every transaction in its casual relations This is the fifth, or *Argumentative* stage in Reading

(6) Verify the conclusions of the reporter Make corrections wherever necessary, or arrive at fresh and more reliable conclusions in the light of your own study Remember, a report loses much of its value in the absence of correct conclusion, because accurate forecasting becomes an impossible task otherwise This is the final, or *Conclusive* stage in Reading

CHAPTER VII

## HOW TO EXPLAIN MARKET REPORTS 1

It is a common practice for examination candidates to be asked to give in their own words the meaning of a phrase, sentence or passage from a market report. This translation of a given piece of report into simpler and clearer language is called *explanation*. In explaining, therefore, the candidate must take special care to expand the condensed expression of the original passage in such a way that simplicity and clarity are achieved without doing violence to the original idea. The student is usually given a free hand in the choice of words, and he is not expected to repeat the vocabulary of the original or to copy the style of the author What he should do is to produce a clear and complete account of the original after his own fashion

The main object of explaining an excerpt from a market report in the examination is to test the student s capacity to grasp the essential ideas and his ability to express them in his own way. It hardly needs emphasizing that the logical next step after reading and understanding is that of interpreting and expressing A student has not read well if he has understood, and he has not fully understood if he cannot translate accurately. Therefore to test the value of reading, he should attempt to give a rendering of the original, and if he can do this clearly and accurately, he may be satisfied that he is proceeding on right lines For all students of commerce the explanation of market reports is an extremely useful exercise in composition.

The explanation of market reports is something more than paraphrase or expansion It includes both these and something more It is an attempt to point

out the *why* and *wherefore* of the statements or the causal relations of the arguments contained in the original In making clear the central idea, the writer may refer to the context and introduce new ideas which may not be there at all The various steps involved in explaining market reports are as follows

(a) *Comprehension, i e* grasping of the difficult thought The student must understand the original idea correctly and completely

(b) *Interpretation* of the main idea with reference to the context because the reproduction of immediately preceding ideas makes the central idea all the more clear

(c) *Simplification* of language by rendering in an alternative style

(d) *Expansion*, if necessary to elaborate a difficult or hidden idea with illustrative and relevant details

(e) *Amplification* of technical or uncommon terms and phrases the fuller significance of which cannot be appreciated in the explanation proper

(f) *Composition, i e* the drafting of the final passage or passages after your own style The final explanation should be an entirely new composition

It will be found that portions from market reports set for explanation in examinations are almost always of a difficult nature The original may contain a string of archaic and technical words and phrases it may involve some peculiarity of style or employ an unusual sentence structure which may seem awkward in the light of accepted rules of grammar Under these circumstances the task of the student will be comparatively simpler because an alternative rendering is all the more easy He can free himself entirely from the original forms of expression by substituting his own, vocabulary But some diffi-

culty may be encountered when the original expression is technically indispensable or the wording is so near the *ordinary form of expression* that a further change would only involve a tampering with the original meaning Moreover, the original report is sometimes so difficult and disconnected that a context becomes impossible and the causal relation can hardly be traced Under these circumstances the beginner should remember that the changes that are to be made in order to produce an entirely new version of the original passage must almost always be in the direction of simplicity of statement He should also exercise his imagination in anticipating the events which have preceded and have a bearing on the passage given for explanation

The writer of an explanation of a market report has full liberty, *unlike the writer of a precis or paraphrase*, to give comments and introductory remarks, express his critical opinion, and draw his own conclusions

In order to perform his task with comparative ease and efficiency, the beginner should have sufficient practice along the lines suggested below

## HINTS FOR EXPLAINING MARKET REPORTS

(1) Read the original several times The passages should be studied both independently and with reference to the context *The ideas of the author must be* under tood fully and correctly If necessary to complete the meaning the hidden ideas must be brought to the forefront

(2) Make a list of the terms and phrases that are distinctly technical in character Substitute the simpler word if available, otherwise give its application and use *It is not absolutely necessary to find a* synonym for every word in the original, because the original word may be the only one possible and indispensable Remember, mere translation of technical terms and phrases is not *explanation*

(3) Expand, if necessary, the original idea by supplying subordinate ideas But expansion to a reasonable limit is permissible In expanding ideas, avoid figurative language and prefer the simple expression to the difficult The length of explanation will depend on the nature of the report and the skill of the writer, but remember the maxim, "a long explanation is often a bad one"

(4) The explanation of a market report must be based on causal relations, *i e*, the cause and effect, or the why and wherefore of every idea or statement must be traced

(5) Draft a rough copy of your *explanation* Compare it with the original to satisfy yourself that no essential point is omitted or the unessential included, and that you have satisfactorily translated the original in the light of preceding and succeeding ideas

(6) The punctuation of the draft must be different from that of the original This is natural because an explanation is drafted without reference to the original and is thus an entirely new composition The importance of punctuation in explaining market reports is emphasized because it assists the reader readily to grasp the meaning of ambiguous terms and difficult sentence structures, and becomes a delicate tool of expression

(7) Polish your draft without reference to the original The final composition must be produced in standard everyday English, *i e* the language must be simple, grammatically correct and perfectly clear to convey the author s idea to anybody who has not seen the original Remember, your *xplanation* is a clearer and more complete composition than the original.

(8) Suggest a suitable title, and a sub-title if necessary, to the report The title is the core of the theme, or the pivot of the original thought and the skill of the student in carving out an appropriate title or sub title

reflects in a large measure his capacity to understand and explain the market report

*HOW TO ANSWER EXAMINATION QUESTIONS*

Questions on explanation of market reports are set for I Com, B Com, and various competitive examinations in India There are several ways of asking questions, *e g*, Interpretation of Quotations, Explanation of Technical Expressions (words and phrases), Explanation of Extracts (complete portions), Explanation of complete reports, and Writing Short Notes on Terms, Institutions and Practices connected with modern markets and relating to market reports As a teacher of this subject I have often experienced serious difficulties on the part of examinees in attempting to answer questions on market reports in the examinations mentioned above It is partial to blame the students alone for not grasping the subject matter properly The real difficulty is the absence of scientific treatises worth while text books on the subject Equally grave is the fault of teachers in their failure to prescribe a systematic procedure of work However, an analysis of the mistakes commonly committed by examinees in answering questions shows that the mistakes are due to errors of judgment or expression These are mentioned below for the guidance both of teachers and students —

(*a*) *Misunderstanding the Question Altogether* This is due to lack of preparation for the examination, possession of insufficient background in the subject, hence misapplication of facts, leading to irrelevant answers

(*b*) *Incomplete Understanding of the Question* This is due to inadequate reading of the question A question not read in detail, because of haste or carelessness results in incomplete answers and liability to failure

(*c*) *Lack of Method in Answering* Confusion of ideas and defective arrangement of points may prejudice the answer even of a candidate thoroughly equipped in the subject matter

(*d*) *Weak Expression* Inability to weave the ideas into a new literary pattern This is due to lack of practice in translating market reports into simple, non-technical language

(*e*) *Want of Originality and Imagination* In examinations those questions are considered easy which require crammed up facts, or belong to text books A question from outside, however easy in nature, to test general knowledge, and the application of theoretical learning proves disastrous even for supposedly brilliant scholars The student should remember that however foreign or difficult an extract from a market report, he can produce a competent answer if he tries to show some originality and stretch of imagination

In the light of these findings I have been able to formulate a simple method of answering almost all types of questions on market reports set for various examinations It can however be modified and improved upon by teachers or students of this subject to suit their own requirements Stated briefly, whenever a question is given on explanation of market reports, the student should as a general rule follow the method detailed below —

*Comment* Trace the source of the term expression, extract or passage given for explanation, i e mention from what market report it is taken Give also any other relevant points to introduce the topic

*Interpretation* Explain with suitable illustrations and with reference to the context, the technical terms phrases and quotations in clear and simple language

*Explanation* Rewrite the original in simple non technical language It should be an entirely new composition after your own style Whether you are asked to expand or condense a market report your aim must be simplicity of expression

*Conclusion* Wherever necessary the examinee should give his critical opinion The concluding remarks of the writer are considered to be the most important

market pointers, and since they refer to the tone of the markets, suitable titles and sub-titles can be derived from them

MODEL EXPLANATIONS OF DIFFERENT TYPES OF QUESTIONS

**1. Interpretation of Quotations** Rates of prices ruling on a certain market day, with certain technical terms and abbreviations almost always attached to them, are given for interpretation The rates are quoted for different periods, i e, the previous day's closing, today's opening, highest, lowest, and closing, and on the basis of these facts the examinee is required to give a reading of the tone of the market and the prospects of business For example, a question may be set as follows

**Q** Explain fully the following quotations of the Hapur wheat market and describe the tone of the market —

Wheat yesterday's closing Rs. 3 8, today's opening 3-9, 3-12, 3 9, 3 11-6 Buyers Gram (Ready) 2-13, Bhadon 2-12 3 Quiet

**A.** In explaining the above quotations the student should divide his answer into various sections, and as far as possible follow the method outlined below —

*Comment.* These quotations are taken from the Daily Report of the Hapur Grain Market Rates are quoted in Rs as p. per md. The term 'Buyers' stands for '*buyers over*' and means an excess of buyers (demand) over sellers (supply) The term "Quiet" used for gram quotations implies very little business and low prices In the case of wheat, prices are quoted for ready or immediate delivery, but for gram the rates are for both ready and forward deliveries

*Interpretation* The rates for wheat in the Hapur Wheat Market were as follows —Yesterday's closing rates were Rs 3-8 per md, today's opening rates are Rs 3-9 per md, highest of the day Rs 3 12, lowest of the day Rs 3-9, and closing rates Rs. 3-11-6 (Three

points are worth noticing *first* that today's closing rates are higher by 3 as 6 p per md., than yesterday's closing rates, which shows an improvement in price since yesterday *second*, today's closing rates are higher than today's opening rates by 2 as 6 p. per md., which again shows an improvement in demand during the day and consequently a rise in price, *third*, that the highest rate touched during the day was Rs 3-12 per md., but it could not be maintained at the close, the closing rate being 6 pies per md. lower which shows a slight shedding of the advance in price This analysis shows that the price of wheat increased by a good margin during the day under review, and although the closing rates were slightly lower than the highest of the day, there was still a large demand at a high rate of Rs 3-11 6 per md.

The rates in the other section, *i.e.*, gram, are quoted for ready delivery at Rs 3 13 per md., and Rs 2-12-3 per md. for Bhadon delivery The rate for ready or spot delivery is higher than the forward, which indicates that in future, either due to an increased supply or slack demand, the prices will fall. The term *Quiet* indicates little business and a downward tendency of prices

*Conclusion* A study of the rates quoted for wheat and gram in the Hapur market shows that good business was done at high prices in the wheat section, but little business was transacted in the gram section due to lack of demand and low prices The price of wheat on the whole increased, and the market closed firm with good prospects of business on the next business day The price of gram was low and forward business could not be done, therefore the market closed dull with no prospects of business on the next day

*Tone of the Market* The tone of the market will be briefly described in the form of a title or sub-title, *e g.*, Wheat Closed Firm, Weak Undertone in Gram.

**2. Explanation of Technical Expressions** A passage from a market report is usually given and the

examinees are asked to explain the italicized words and phrases For example

**Q** Explain the italicized words in the following extract from a market report —

The market is dull and *easier* owing to lack of demand by *shippers* and *speculative operations* in *Future markets* ——I Com, U P

**A** In answering such questions the examinee must try to find out the source of these expressions, *i.e* to which class or section of the market these words refer This is necessary because there are specialized terms and phrases characteristic of different market reports These expressions should not be considered independent but essentially part and parcel of the passage or the entire report Therefore mere translation of the words and phrases is not sufficient They should be explained in relation to the rest of the passage or with reference to the context A conclusion should also be drawn from the whole passage although it may not have been required by the examiner, to give proof of your having understood the true significance of the expressions involved The following method of explaining the above excerpt is suggested —

*Comment* This extract is taken from the Bombay Cotton Market Weekly Report The Bombay Exchange is the largest of its kind both for export transactions and forward business Prices are quoted in Rs as. p per candy of 784 lbs for future deliveries The above passage is usually a kind of an opening sentence of the report and describes in a nutshell the tone of the market, particularly in the forward section

*Explanation of the Italicized Words and Phrases*

(1) *Easier* This term is used in almost all types of reports to indicate the tone of the market An *easy* tone shows a small volume of business transacted due to shortage of demand or excess of supply, and consequently the downward tendency of price Thus

the tone of the market may be *easy or weak*, while in converse circumstances it may be *firm or strong*. The use of this term here implies a poor business in the forward section of the Bombay Cotton Market and therefore a low level of prices ruling on the day under report.

(2) *Shippers* This term represents the class of exporting and forwarding agents, or the representatives of foreign cotton mills, who make purchases of raw Indian cotton in the Bombay Cotton Market for exporting to their customers abroad or to their principals For example, the Manchester Cotton Mills may instruct their agents to purchase raw cotton for ready or forward delivery whenever they consider the prices favourable The shippers, therefore, constitute the demand side, and if they transact heavy business prices become high and the market displays a firm tone, while poor business on their part results in low prices and an easy tone in the market. It will be noticed from the above report that there were not many buyers (i e the demand for raw cotton from shippers was not large) and therefore business in the Bombay market was slack and the prices were low

(3) *Speculative Operations* It is usually the dealers who undertake risk of price movements. When dealings are made to profit by price changes they are known as speculative operations, and are recognized as genuine transactions in modern business Speculation is an attempt to forecast intelligently the future course of prices of a certain commodity or security, and is an important economic weapon in stabilizing price levels It is generally practised by a special class of agents known as bulls, bears, stags, etc., and is both a cause and result of business in futures That is if a speculator buys or sells now, when prices are low or high for delivery at a future date, with a view to making profit, it is known as a speculative transaction In this case, there were not many purchasers for future deliveries

*of raw cotton, therefore business in forward or futures* market was dull. This is due to the fact that some speculators were expecting a fall in the price level in future and therefore were not purchasing, whereas others who were holding stocks were selling at the present prices lest the price should fall in future and they might suffer a heavier loss

(4) *Future Market* In almost all modern markets two kinds of business is done *i e* ready and forward. When goods are meant for delivery immediately on the conclusion of a transaction, it is known as Ready or Spot business When goods are brought or sold now, for delivery at some future date, the transaction is known as Forward or Future That section of the market which deals in goods for future delivery or specializes in forward business, is known as the futures market Bombay is the principal futures *market for cotton in India Particular mention in* this report is made of the futures section of the Bombay Cotton Market, in which little business was done due to lack of demand and therefore the prices for future deliveries (*i. e*, future contracts or quotations), were low The market displayed a dull tone

*Conclusion* In the Bombay Cotton Exchange, due to slack demand from exporters or speculators, little business was transacted in the futures section and therefore the prices quoted for future deliveries were low These conditions indicate poor prospects of business

**3 Explanation of Extracts** A passage, section, or complete portion of a market report is reproduced, and the student is required to explain, or rewrite it in plain and non technical language. For example·

**Q** Rewrite the following passage in plain English

There has been a *quieter feeling* in the local piece goods market as the *up country centres* have displayed even less *interest* during the period.

—I. Com., U. P.

A After writing a brief comment on the source and nature of the above extract, the examinee should pick out the technical terms and phrases and summarily explain them Even if the interpretation of these words and phrases is not required by the examiner, it is implied, and must therefore be given. In paraphrasing the extract, expand by supplying sub ordinate ideas wherever necessary Explanation should be an independent continuous narrative after your own style. A concluding remark, in the form of a title, should always be given to convey the tone of the market

*Comment.* This extract is taken from the weekly Report of the Bombay Piecegoods market The Bombay Exchange is the principal futures market for home and foreign manufactures Rates are quoted in Rs as p per piece, per yard, or per lot, according to the nature and description of goods

*Notes* (i) *Quieter feeling* Not much business was done, or the atmosphere of the market was dull due to lack of demand.

(ii) *Up country centres* Small consuming centres and feeder markets of the suburbs and the province, which constitute the regular demand side of the Bombay piecegoods market

(iii) *Interest* Demand for goods, or inquiry for making purchases

*Explanation* In the Bombay Cotton Market much business was not done due to lack of demand During the past week some business was transacted by up-country consumers and traders at low prices, but that too has almost ceased during the week under review, with the result that prices have fallen considerably and the market has become dull

*Conclusion* Absence of demand from up-country traders weakens the prices further in the Bombay Cotton Exchange

OR

Lack of Buying Support Further Weakens Prices.

4 **Explanation of Complete Report** A complete market report comprising one long passage or several short passages or sectional reports, is given for explaining terms and phrases, answering questions on the theory of business operations or writing a *precis* and suggesting title and sub-titles Sometimes a general question may be asked requiring the examinee to explain, which includes all these points Example

Q Explain clearly / give the substance of / the following market report in your own language —

Bombay, January 31.

During the earlier part of the week under review, the Indian sugar section showed a *firm tendency* An all-round increase of about a couple of annas in prices was recorded A level of Rs 9 14 was reached by Saraya, the *pet of the market* Reports about smaller production this year on account of unsatisfactory crop conditions and the slow selling policy of the Deccan mills continued to keep up the *ardour of the market* Considerable purchases were made by the local dealers who anticipated higher prices At the end of the period under review, a slight *reaction* has been reported due to nervousness on the part of *weak holders* Speculative interest from within and without the market has entered the field *Consumption demand* remained satisfactory during the week Average *offtake* was estimated at about 2,700 bags per day. Arrivals during the period were reported to be about 15 000 bags Local stocks of Indian sugar are estimated to be about 95,000 bags Following are the market quotations —Small grain sugars Rs 10-15 to Rs 11-3 ordinary grain sugars Rs 11 4 to Rs 11-8 and bold grain sugars Rs 11 10 to Rs 12-4 *per B M ex-Wadi Bunder*

A From the point of view of examination, such long passages of report do not require detailed explanation by expansion the examinee being required merely to give an alternate rendering of the report.

This is done by re writing the original into a condensed composition, called a *precis* After a brief comment and explanation of technical terms and phrases, the examinee should write the *precis* and suggest a title and a sub title if necessary Whenever a question is asked in one of the following forms *i e*, write the substance, or give the summary, or condense the following, the examiner has in mind the *precis* and nothing else The answer to the above question will be somewhat on the following lines —

*Comment* This is a weekly report of the Bombay Sugar Market It refers to the Indian sugar section of the market Quotations are made in Rs as p per bazar md of 82⅔ lbs Indian sugar, on this exchange, is sold by Trade Description, *e g*, bold (first quality crystal), ordinary (second quality), and small (third quality) Both Ready and Forward business are transacted

*Explanation of Words and Phrases*

(1) *Firm tendency* The prices were rising due to a good demand

(2) *Pet of the market* The most popular section in which much business was done and good prices were ruling

(3) *Ardour of the market* The activity, zeal or warmth of the market, *i e*, the firm tone of the market

(4) *Reaction* The falling of prices from the highest level reached

(5) *Weak holders* Those speculators who begin to sell at the slightest sign of improvement in prices

(6) *Consumption demand* The demand of the consuming public expressed through up country traders

(7) *Offtake* The volume of business done as shown by purchases made by traders

(8) *Per B M ex-Wadi Bunder* The price was quoted in Rs as p per bazar maund of 82⅔ lbs and delivery was to be made at Wadi Bunder (port)

*Precis.* Good business was done in the Indian sugar section of the Bombay market and prices rose by several annas per md Saraya sugar was mostly in demand, and due to controlled supply by mills, and unfavourable crop forecasts, the prices of all other varieties continued to rise At the close, however, there was a slight fall in prices due to the keenness of weak bulls to sell their stock The estimated total supply was 1,10,000 bags, and the average daily business amounted to 2 700 bags The closing rates were —small grain Rs 11-3 ordinary 11 8 and bold 12-4 per md for delivery at Wadi Bunder

*Title.* Firmness in Indian Sugars Maintained

*Sub-Title* Saraya Occupies Pride of Place

5 **Writing Short Notes** It is a common practice with examiners to ask the examinees to write explanations of terms and description of institutions and practices connected with the organization of modern markets Such questions test the knowledge of the examinee in the theory of the subject Thus a student may be asked to write brief accounts of the organization of an exchange, the nature of business performed by various speculators, the function of instruments of credit, documents and securities dealt in, the significance of specialized vocabulary, terms and symbols, and the various business practices prevalent in any particular market. For example

Q Write Short Notes on the following

Bull Campaign, Call Option, Bank Draft, Speculative counters, cum div., T T (Nov Dec), the organization of the London Stock Exchange.

A In attempting an answer to such questions the examinee should bear in mind that the topics are independent and therefore they should be treated as such He should not merely give the meaning or simply state the idea in different words, but explain the applied meaning by adding necessary and relevant details Each such explanation of a term, topic, or institution will involve the writing of a miniature

essay, complete in all respects, and the writer will have complete freedom in regard to the arrangement of points and the length of the composition. But in writing short notes illustrations are indispensable, because they tend to explain a topic with all its bearings, implications, parallels and necessary details, and make it more clear and concrete. In the following pages we have suggested a method of explaining, i.e., writing short notes on the topics given above

### (1) Bull Campaign

*Comment.* There are various practices attached to speculative business in modern organized exchanges One of these is *bull campaign* It is in the nature of business tactics or propaganda made by a set of speculators who wish to raise the price of a commodity by artificial means.

*Practical Application* Sometimes a speculator, who has bought heavily a commodity, expecting a rise in its price when he can sell at a profit, goes wrong in his calculations The price either remains unchanged or begins to fall In such circumstances he tries to bring about a rise in the price by circulating rumours himself or through his agents Such tactics, or artificial means of raising the price above its natural course, are termed a *bull campaign*

*Illustration* B purchases 10,000 mds of wheat in the Ambala market at Rs 4 per md expecting a rise in the price to Rs 4 2 next week when he could make a profit of 2 as per md by selling his stock Unfortunately for him, the price remains unchanged on the opening day of the next week B becomes anxious lest the price should fall and he should suffer a loss, and circulates false news on Tuesday morning that a large American army is arriving at Ambala on Wednesday and will be stationed there for the duration of the war This rumour will at once make the sellers hesitant to dispose of their stock because by waiting further they would think, they may be able to sell at higher rates when the fictitious army arrives

and the demand has increased The price will therefore rise say, to Rs 4 2 due to controlled supply or unwillingness on the part of holders to sell their stocks. The bull speculators will take advantage of this rise and sell their stock at a profit of 2 annas per md

*Effect on market* These tactics have a bullish influence on the market, *i e*, they put new life in a falling market and raise the prices Since the result of a bull campaign is the creation of a sudden demand from misguided speculators, a large volume of business is transacted the prices show an all round improvement, and for the time being the tone of the market becomes bright.

**(2) Call Option**

*Comment* Describe its nature and importance in modern markets

*Applied meaning*. How is it applied? What are the parties to it?

*Illustration* Take a practical example from a commodity market and show the course of a transaction

*Advantages* and disadvantages to buyers and sellers

*Effect* of this operation on the tone of the market

**(3) Bank Draft**

*Introduction* It is an instrument of credit used by banks, in the capital market

*Technical Meaning* Its purpose in modern business, *i e*, remittance of money or transference of capital.

*Illustration*. Reproduce its form, and describe the course of a transaction to show its use by a debtor in India

*Advantages* to traders and services to the capital market as a whole

**(4) Speculative Counters**

*Comment* Used for securities in stock exchanges

*Applied Meaning* Contrast with investment securities"

*Examples* Give a list of such securities from different stock exchanges

*Significance* in modern stock exchanges, *i e*, how far does business in speculative counters affect prices of securities in general ?

### (5) Cum Div

*Interpretation* What expression does this abbreviation stand for ? In what connection is it used ?

*Technical meaning* —Its significance when attached to quotations and its importance to dealers

*Illustration* Take a quotation from an Indian Stock Exchange Report and give a detailed interpretation

*Importance* to the buyer or seller of securities

### (6) T T (Nov -Dec.)

*Interpretation* of this abbreviation To which market does it belong ? Describe its general nature

*Applied Meaning* Why do the banks sell T. Ts ? What is ready and forward business in T Ts ?

*Operation* Describe the procedure of selling a T T in the market and the transference to another country through the agency of banks

*Illustration* Take a concrete example of a trader in India using a T T for another in England Use facts and figures with accurate calculations

*Advantages*—to the modern businessman and its place in the money and exchange markets of the world

*Conclusion* What is the influence of T T rates on other rates in the Foreign Exchange ?

### (7) The London Stock Exchange

*Comment* An introductory remark on the nature of the institution its aims and objects, economic significance, etc

*Organization* The constitution of the Exchange, management, membership, rules for conducting business, etc

*Transaction of Business* Basis of transaction (cash or forward), terms of business and settlements, course of a transaction in securities, official quotations, dealings by members and non-members, etc

*Wares of Trade* Lists of securities, classes of shares and stocks specialization in securities dealt in Try to give as many names of securities with quotations as is possible from memory

*Conclusion* Influence of stock exchange prices on commodities Show how conditions of trade and industry also react upon prices of securities Why are prices more stable on the London Stock Exchange? Conclude by pointing out its importance in the world's trade and commerce

# PRODUCE EXCHANGE REPORTS AND PROGRESSIVE EXERCISES

Before proceeding to consider Market Reports it is necessary, in the interests of the beginner, to study the distribution and organization of some important Exchanges in India and abroad India has today some of the biggest produce markets in the world This is due to the fact that India is an important exporter of raw produce India also enjoys a monopoly in certain essential commodities, and the development of rapid means of communication has enabled her to win an important place in the worlds trade and commerce The principal produce Exchanges in India are the Wheat Exchange of Lyallpur, Karachi Hapur, and Amritsar, the Cotton Exchanges of Bombay, Indore, Cawnpore, and the Oilseeds Markets of Madras, Cawnpore and Calcutta The organization of some of the most important produce Exchanges is briefly described below :—

**Calcutta Jute Exchange** deals in different grades of the raw jute which is duly pressed and sold in *pucca* bales of 5 mds or *katcha* bales of 3½ mds each Loose jute is also sold per md Business is done both in spot and forward deals No contract for a future deal is allowed for less than 250 mds and the exchange must be completed the next day after the transaction is closed The *futures* market in jute is termed *Futka*, in which actual delivery is not made but the transaction is settled by the payment of *differences* The commercial descriptions of jute sold in the Exchange are *Jats*, *Western*, *Northern* *Motilal Tossa*, *Birth Hearts*, *Marwar Jats*, *Districts*, *First Marks* and *Lighlnings* A few typical market quotations in raw jute are

New Crops (Firsts) Rs 72 per *pucca* bale

Loose Jute (Jat top) middling Rs. 12 per md.
Outport Tossa 4 (New) Rs 35 per pucca bale.

**The Bombay Cotton Exchange** is one of the most important institutions of its kind in India for sampling, grading and selling specific trade varieties of Indian Cotton The members transact business both on the basis of spot and future contracts. Dealings in futures are more common

Forward business is done in three principal varieties of raw cotton, *viz.*, Bengal, Oomra and Broach. In taking delivery in Bengal and Oomra forward contracts, the quality at the time of delivery may be 'up to half a grade below the basic grade', whereas in Broach, a quality 'up to the grade below' is allowed The delivery months for the former are January, March, May and July, whereas for the latter they are April, May, July and August. The principal trade descriptions of Indian raw cotton dealt in on the exchange are *Broach, Oomra, Bengals, Dharwars, Dholleras, Salem, Sindh, Navsari, Commillas, Tinnevelley, Surats, Punjab* and *Cawnpore* Three types are graded into *superfine, fine, fully good, good, middling*, and *ordinary*. Prices are quoted in Rs as. p per candy of 784 lbs. Some typical market quotations are reproduced here:

Broach April-May (1942) Rs. 240-12.
Oomra (Fine) March Rs 220, July Rs 230.
Bengal (fully good) May Rs. 200, Rs. 190.

**The Hapur Wheat Exchange** is one of the largest organized *mandis* for wheat in India. There are about 150 members. A member can buy or sell up to 1,500 tons, Every forward contract, known as *badni sauda*, is to be of 25 tons (681¼ mds.), and for every such *sauda*, both the seller and purchaser are required to deposit Rs. 200 as 'cover' money with the Chamber, and to pay one anna each as Chamber's Commission for every such *sauda*. In the Hapur Exchange *futures* are dealt in for the months of Jeth, Bhadon, Mangsir and Maha, and dealings for these months

begin about four months hence. About 95 per cent of forward contracts are settled by paying and receiving differences only,) otherwise the seller is entitled to deliver the stipulated goods from the 1st to the 25th of the month in respect of which the contract has been entered into. The principal trade descriptions are known by the place of production or the month of delivery, and the prices are quoted in Rs. as. p. per md. The quotations are usually as follows —

Ready khattis Rs 4/6 Bhadon Rs 4/2
Ghaziabad (dara red) Rs 3/15 ready
Saharanpur Sharbati Rs 4/1 closed

**The London Corn Exchange** is one of the most important, and, perhaps the biggest produce exchange in the world. It deals in wheat, corn, cereals, flour, and fodder. It is concerned chiefly with ready transactions, and "spot" business is executed under about 52 forms of contracts. Dealings in future are done in wheat and maize, and futures are based upon American wheats. The exchange is open three days in each week. Wheat is generally sold by 'type' such as Commercial No 1, American Red Winter, Australian, and transactions are made by the cental (100 lbs.). No contract is out for a smaller quantity than 4,800 units and every quantity sold must be a multiple of 4,800. In cases of delivery of inferior quality spot goods may be rejected before 11 a.m on the next market day after sale, but forward goods which are sold 'to arrive' cannot be rejected and any difference in quality is made good by the payment of a sum which is calculated according to a basis fixed by experts. Prices for wheat are quoted in shillings and pence per quarter of 480 lbs. for Australian, American, Egyptian and Danubian wheats, 492 lbs. for Petrograd and East Indies varieties, for maize in quarter of 492 lbs. (Odessa) and 480 lbs (American) for rye in quarter of 400 lbs (Black Sea and Danubian Provinces) for oats in quarter of 316 lbs (Finland) and 320 lbs (Petrograd) for linseed (Calcutta and La Plata) prices are quoted per ton. The quotations are —

*Explanation.* The opening rates show that today, when the market started business, wheat was quoted at Rs 3-15-9 per md. for ready delivery, but at the close of the business day the rate had gone up by one pie per md. This shows a slight improvement in business conditions. The course of price fluctuations is indicated by the highest and the lowest rates, or a gap of 8 pies per md. during the course of the day. It will be noted that this range of fluctuations in prices is not wide, therefore the business conducted seems to be steady. A comparison with yesterday's closing rates will at once show that there is an upward tendency today, and the prices may increase in future.

The rate for Ready khatti is higher than other rates. Khatti wheat, for ready delivery, is graded and is of standard quality in accordance with the terms and conditions of the Hapur Chamber of Commerce which lays down that "wheat pits or khatti wheat should not contain more than 2 per cent dirt and 4 per cent barley and gram mixture". Delivery in forward contracts (*badni Saudas*) is generally given by means of *Khattis*, or stores of wheat, which are delivered and transferred by *Langot* or Delivery Order.

Nazrana rates are quoted for dealers in Double Option. A speculator who wants to buy or sell wheat in future, with a view to making profit by a change in prices, may buy a Double Option. If he wants a double option for supplying in Chet he will have to pay a premium, called option money, at the rate of 0-1-3 per md. and 0-2-3 and 0-4-0 for Chet, Baisakh and Jeth respectively. Suppose he applies for Nazrana for Jeth. He will have to pay at the rate of 0-4-0 per md., a sum of Rs. 17/5/ for one unit of transaction which in the Hapur market is 25 tons or 681¼ mds., and will secure the right either to purchase or sell 25 tons of wheat at the agreed price up to the Settlement Date of Jeth. The actual date of settlement, for option dealings at Hapur is Jeth Sudi 9, which is also called the Declaration Date.

In all wheat market reports there is a mention of the approximate total quantity available for supply and the additions to existing stock during the course of the business day. This information is very valuable for determining prices. In the Hapur wheat market the total supply side is arrived at by adding to the quantity stocked by the Chamber, the khattis held by private dealers and the Arrivals (intake) from other markets or upcountry sources.

*Conclusion* The market is doing steady business. Prices have moved upward, though within narrow limits. The existing supply is fairly replenished by arrivals from upcountry sources. The demand is fair and there is likelihood of an upward tendency.

*Example 2*

BOMBAY COTTON EXCHANGE

Bombay, February 20.

| | *Last Week's closing* | *Week's opening* | *Closing prices* |
|---|---|---|---|
| (i) *Bengal* | | | |
| December-January | 140 0 | 147 - 0 | 151 - 8 |
| (ii) *Oomra* | | | |
| March April | 192 - 8 | 190 - 8 | 188 - 0 |
| December January | 197 - 8 | 198 - 8 | 200 - 0 |
| (iii) *Broach* | | | |
| July-August | 243 - 8 | 241 - 8 | 246 - 8 |
| April May | 272 - 8 | 270 - 8 | 276 - 0 |

*Comment* The above quotations refer to prices of futures in selected varieties of cotton on the Bombay Cotton Exchange. These are weekly rates, quoted in Rs as p per candy of 784 lbs. The student should note that, like the Daily Report, a Weekly Market Report gives the closing quotations of the previous week-day for comparison with the current week's opening and closing rates.

*Explanation* (i) The Bengal variety of cotton was sold at Rs 140 per candy, for December January delivery during the past week. The opening rates

of the current week indicate a rise of Rs 7, and the closing rates a rise of Rs 11 8 per candy over the closing rates for the past week This substantial rise in the price is an index to good speculative business by bull operators

(ii) The Oomra variety was quoted at Rs 19? 8 for March April on the closing day of the last week. This week s opening rate declined by Rs 2 and the closing rate by Rs 4 8 These rates will at once indicate that the market has been dull and there seems to be a bearish tendency On the other hand the rates for December January contracts show a rising tendency There has been a steady rise (in price) of Re 1 on Monday and Rs 2 8 on Saturday over the last week's closing quotations The market is bullish in December-January contracts

(iii) In the Broach section the opening quotations for July August showed an appreciable decrease over the previous week's rates but later in the week this fall was made up and the prices advanced giving a clear margin of Rs 3 at the close The rates for April May also displayed a similar tendency The fall in the opening rates this week was temporary and was perhaps due to good weather conditions, favourable crop forecasts or a dislocation in demand

*Conclusion* The futures section of the Bombay Cotton Exchange displayed a firm tendency The Bengals and Oomras opened confidently and improved with a wide margin over the last week's closing prices The Broach section however, opened nervously and showed a downward tendency, but at the close brightened up in sympathy with the former The market is bullish and the sellers are confident of a further advance in all positions

*Example 3*

MISCELLANEOUS INDIAN PRODUCE EXCHANGE QUOTATIONS

(1) Wheat (Karachi) Ready Rs 44 July Rs. 37-15 spot sales 2300 bags Steady.

(ii) Rice (Rangoon) Long Sun Dried (No 1) Rs 2-11, Big Mills Specials Rs 2-10, Burdwan Pearls (Ready) opening Rs 2 8, closing 2-10 Arrivals 4000 bags Imports 1000 bags, opening stock 7000 bags

(iii) Oilseeds (Bombay) Linseed Bold Ready Rs 9 2, Forward 5-12, Groundnut ready Rs 7-6 forward 30 0, Cotton seed spot 9 8 Brisk

(iv) Jute (Calcutta) Indian Jat (top) Rs 15-2, middles 12-8, bottoms 11-0, pucca section (ready)68 4, March 69-14

*Comment* These quotations are taken from miscellaneous produce market reports in India They have been reproduced here to give the beginner an idea of customary practices of quoting rates in different markets not only for different commodities but also for different deliveries

*Interpretation* (i) This quotation is taken from the Karachi Weekly Wheat Market Report Rates in the Karachi wheat market are quoted in Rs as. p per candy of 556 lbs The rates for ready delivery were quoted at Rs 44 per candy, and for July delivery at Rs 37-15 There were local sales of 2300 bags probably by local flour mills Good business was done in the market and the tendency was steady

(ii) These quotations refer to the Rangoon Weekly Rice Market Different varieties of Burma and Indian rice are quoted in Rs as p per bazar and of 8 ¾ lbs Delivery is made in bags of 2¼ mds, each

Long Sun Dried No 1, the best Rangoon rice, was quoted for ready delivery at Rs 2-11 per md Big Mills Specials, the best variety of polished rice, husked and parboiled for foreign markets, was sold for ready delivery at Rs 2-10 per md Burdwan Pearls, a fairly good variety of East Bengal rice, was quoted for ready delivery at Rs 2-8 This was the opening quotation of the week The price of this variety showed an improvement at the close of the week and stood at Rs 2-10, *i e.*, two annas per md.

higher than the opening rate The imports of rice into Rangoon during the week under review, were 5000 bags, of which 100 bags were imported from other countries probably Formosa or Java, and 4000 bags from upcountry producing districts and the interior markets of Burma Including the opening stock, the available supply in the Market may be estimated at 12 000 bags The estimated supply of a commodity serves as a good market pointer for speculators

(iii) In the Bombay Weekly Oilseeds Market different rates are quoted for spot and future deliveries Linseed *ready* is quoted per cwt of 112 lbs and *forward* per md of 82 lbs Groundnut *ready* is rated per cwt of 112 lbs, but *forward* per candy of 560 lbs Cotton seed *ready* is transacted per cwt of 112 lbs, while *forward* per candy of 784 lbs — this rate is maintained for all other oilseeds The rates in the Bombay Oilseeds Market Report should be studied in the light of these differences The principal commercial types, applicable to all varieties of oilseeds are *Bold* which is the large, whole and best quality; *small* of second quality in point of size of grain *mixed* usually ungraded Grading is also done by colour in the case of rape and mustard seed, gingelly and myrobalans Trade descriptions are also known by the place of origin, *e g*, Linseed Bold Bengal, Rape Brown Cawnpore, Myrobalans Jubbulpore

(iv) There are two sections of the Calcutta Raw Jute Market, *i.e.*, Loose jute and Baled jute sections Loose jute is sold in Rs a p per Bengal md Baled jute is sold in katcha bales of $3\frac{1}{2}$ mds or pucca bales of about 5 mds or 400 lbs each In this case loose jute is quoted in three grades *tops*, the finest quality of the new crop placed in the market *middles*, the second quality *bottoms*, the low quality The difference in rates is according to quality On the other hand, pucca bales are quoted at Rs 68-4 each for ready delivery and Rs 69 14 for delivery in March

*Example 4*

LIVERPOOL COTTON EXCHANGE

| | Spot Quotations (January) | Futures (March) |
|---|---|---|
| (i) F M G Broach | 7·40 | 7·10 |
| (ii) American Middling | 9 56 | 9 27 |
| (iii) Mid Fair Tinnevelly | 8 45 | 8 ?0 |
| (iv) Ex F Sakellaridis Egyptian | 14 47 | 14 25 |

*Comment.* Raw cotton in English markets is quoted in pence per lb It will be noticed from the above quotations that commercial qualities are mentioned for different varieties of cotton dealt in on the Liverpool Exchange It will also be observed that the spot quotations (for January) are higher than futures (for March) This is due to the fact that by the time future delivery will mature in the month of March, new stock will have moved in from the fields to the market. The interpretation of these quotations is given below

*Interpretation* (i) The Broach variety of cotton was transacted at 7 40 pence per lb This quotation refers to the *Fully Middling Grade* (F. M G ), which may be taken as the third best in the market, the second being *Mid Fair* and the first *Fair*

(ii) North American cotton of *middling* grade is sold at 9 56 for spot and 9 27 pence per lb for March delivery The *middling* grade is the average between *ordinary* and *fair* qualities

(iii) The Tinnevelly variety of Indian cotton was quoted at 8 45 pence per lb for spot delivery on the Liverpool Exchange The trade variety quoted is *Mid Fair*, also known as *Fully Good Fair*, and may be considered a grade higher than middling It is usually known as the second best quality of the variety concerned

(iv) The Egyptian variety of superior cotton, known as Sakellaridis, was quoted at a very high rate *i e*, 14 47 pence per lb for spot and 14 25 for March

*i?*

The trade variety quo ed is *Extra Fine*, or the best quality available and therefore the highest price is paid for it.

*Example 5*

## MISCELLANEOUS FOREIGN PRODUCE EXCHANGE QUOTATIONS

(i) Wheat (London) South Au tralian Mar F O B Parce s 25 9 Rosario 24/6 to *arrive* Bar etta (f a q) 24/10

(ii) Wheat (Chicago) Ready 0 98 May 1 01 July 0 99 American Red Winter 1 02 spot, No 1 North Spring 1 05

(iii) Cotton (New York) New Or eans 11 (spot) July 10 Effected 15 000 bales spot.

(iv) Wool (London) Greasy First Comb ng E. 17d, Queensland Crop (first) 10d Ready Firm.

*Comment* The system of quoting is differen in almost all foreign produce markets The ra es may differ with terms of business The tudent should make it a point to grasp fully the typ cal nature of transactions and remember the difference in the currencies weights and measures in which the market rates are quoted on foreign produce Exchanges

*Interpreta ion* (i On the Baltic Exchange which is the largest grain market in London three varieties of wheat are quoted for forward transactions viz., South Australian Rosario and Barletta. The rates are quoted in shi ings and pence per quarter of 480 lbs South Australian wheat for March de i very was dealt in at 25 sh 9d per qr The r te was F O B (free on Board) that is the seller will defray all expenses of putting the good on board, and the purchaser will pay freight and all other expen es thereafter Rosario was transacted at 24 s 6d. per qr., *to arrive*, that is, delivery was to be made on the safe arrival of grain in the London market or at the port. The date of arrival is not usual y mentioned but the approximate date of arrival is settled on customary basis. Barletta wheat of *f a. q* grade

*Comment* The student will understand at the first reading that business conditions in the Ghaziabad wheat market are favourable The better tone of the market indicates that prices are ruling high and a good volume of business is expected An intelligent student with a slight stretch of imagination will discover the local and external factors that are responsible for the healthy atmosphere prevailing in the market, *viz*, it may perhaps be a poor wheat crop due to crop-damage or lack of rainfall, or a large and growing demand created by war conditions, or enquiries for export to foreign countries It may also be due to speculative buying by profiteers Or again, it may be the result of a sympathetic rise, that is, a rise in sympathy with the high prices of different commodities or of this commodity in other markets of India or foreign countries Whatever may be the latent or specific cause, the fact is that conditions of business are brighter A good turnover is therefore reported, while at the close the prices remained steady and left a good impression on the dealers about the prospects of business on the market day

*Explanation* This extract is taken from the Ghaziabad Wheat Market Report for the 29th day of January 1942 The reporter describes the general state of the market as favourable. It seems that business conditions have improved since the previous day, and fairly good prices prevailed throughout. A good amount of business was also transacted At the close the prices remained high and the general business conditions continued to be normal The prices of wheat at the close of the market day were Rs 4-6 for ready delivery and Rs 3 14 6 for Jeth delivery A lower price is quoted for future or Jeth delivery due either to an expected diminution in demand for wheat during that month or a heavy supply of wheat caused by the movement of the new crop

*Original 2*

CAWNPORE OILSEEDS MARKET

March 30

The market was quiet and later sagged due to absence of buyers and uncertain position of the war in the Far East The opening quotations were Linseed Ready Rs 6-9-6 May Rs 6-5-3 closing quotation Rs 6-4 Ready and Rs 6-1 May Closed Flat

—*The Leader*

*Comment* A glance at the above report will show in unmistakable terms that the reporter is describing unfavourable business conditions of the market Such a state of affairs fully justifies the conclusion that very little business was passing in the market and the prices were consequently very low In a market report the term *quiet* indicates stagnant or dull conditions and lack of activity or business enterprise The reporter therefore opens the market in a static lifeless and dull atmosphere and goes on to describe the rot or deterioration that followed during the course of the day If we divide the report in parts we will be able to understand the underlying ideas of the writer more clearly

*The market opened quiet*

*The opening prices were low due to slack demand*

*The condition worsened during the course of the day*

*Prices fell enormously*

*This was due partly to the absence of buyers (demand)*

*And partly to the uncertain political situation*

*The market closed flat with prices touching the bottom*

The arguments advanced by the reporter for the dull conditions prevailing in the market are the absence of demand and the panic caused by Japanese victories in the Far East The absence of buyers may be due to unsold stocks in upcountry markets, or the closing down of oil mill because of the disappearance of eastern markets for Indian oils It may also be the result of a fall in the domestic consumption of oilseeds and oil on account of high prices The

uncertain political situation had also made the buyers hesitant about the future course of their business Since speculative business depends more on political security than economic prosperity, an unfavourable war news is capable of paralysing any business partially or wholly, temporarily or permanently (Political disturbance is a factor beyond the control of the market and is always instrumental in creating a pessimistic tone in the *futures* market ) In view of these uncertain economic and political conditions, the reaction has been amply felt by the Cawnpore Oilseeds Market

*Explanation* This extract is taken from the Cawnpore Oilseeds Market Day Report The market opened in a dull atmosphere The prices were low and almost no business was transacted During the course of the day conditions deteriorated further Prices fell down considerably This state of business was due to two factors, *first*, the absence of buyers, and *second*, the unfavourable war news from the Eastern front A study of the market quotations will show that there was a fall of 0-5-6 per md from the opening rate for ready delivery, and of 0 3-0 per md for May delivery, indicating a falling tendency in both forms of business The market has throughout been featureless, and the nervous and pessimistic outlook of the operators will tend further to depress the business

*Original 2*

## CHICAGO WHEAT MARKET

Wheat reached *new high level*[1] for season *Professionals*[2] and *millers*[3] being prominent on *buying side*[4]

—*The Times of India*

*Notes* 1 The price of wheat touched the record for the season, that is, the highest price of the season was reached.

2. Professional speculators who were making heavy purchases in expectation of a further rise in price when they could sell at a profit

3 The flour mills which constitute the local demand, were also purchasing wheat to cover or hedge themselves against a rise in the price of raw material (wheat)

4 This phrase refers to the estimated demand of the market or the speculators and mills the buyers or customers which constituted the demand side of the market

*Explanation* The above sentence taken from a market report of the Chicago Wheat Exchange, points out that on the day under report the price of wheat was the highest that has yet been reported during the whole season It is therefore considered a new record price by merchants This exceptional rise in price is attributed to a heavy demand for wheat The principal buyers were the local flour mills and bull speculators The former were purchasinrg large stocks of wheat to h edge their contracts fo wheat flour, while the latter were making heavy purchases to corner the market and force up the prices further for profiteering Under these circumstances the prices were soaring rapidly and imparting to the market a strong bullish sentiment

*Original 4*

CALCUTTA COTTON MARKET

The local market has displayed a better *undertone*[1] A good *off take* by Japan is reported and *Japanese shippers*[3] have been fairly consistent *buyers of contracts*[4]

—*I Com, U P and Rajputana*

*Notes* 1 The tone or state of the market indicating the future tendency of prices

2 A good amount of business done or purchases made

3 Exporters of Indian cotton to Japan These are usually the agents of Japanese cotton manufacturers

4 Those speculators who hvae entered into forward or future contracts, or have bought goods for future delivery.

*Explanation* This is an excerpt from a report on the Calcutta Cotton Market The reporter considers the present state of the market to be healthy, which leads us to believe that the prices in future are likely to rise This belief is strengthened by the nature and volume of business transacted by Japanese interests The exporters of raw cotton to Japan, usually the representatives of Japanese mills in India, have made heavy purchases, and are consistent buyers of future deliveries A continuance of this tendency that is, a large and steady demand must eventually force the prices up tremendously and impart a brighter outlook to the market

*Original 5*

BOMBAY COTTON MARKET

In the raw cotton market a *firmer tendency*[1] is noticeable due to *stimulating overseas advices*[2] and considerable *trade demand.*[3]

—*I Com*, *Bombay*

*Notes* 1 A rising tendency of prices

2 Encouraging demand from foreign countries

3 Demand by local mills and upcountry dealers

*Explanation* This is an extract from the Bombay Cotton Market Report The tone of the market is reported firm which implies the passage of heavy business and the prevalence of high prices There are two causes of this firmness, *first*, a very heavy demand from overseas or foreign consumer and *second*, heavy purchases made by local and upcountry dealers and manufacturers These conditions indicate good prospects of business and the maintenance of high prices in the future

EXERCISES WITH HINTS FOR EXPLANATION

*Exercise 1* *Bulls*[1] were disappointed and they *liquidated their holdings*[2] in spite of unfavourable weather and other *bullish factors*[3] (Cotton)

—*I Com Rajputana*

*Hints* 1 The speculators who were expecting a rise in price

2 The bulls disposed of their stock at a loss to settle their accounts.

3 Such conditions as would induce an upward movement in prices.

*Question* Rewrite the above passage of a market report in plain, non-technical language

*Exercise 2.* The *sentiment*[1] is *bearish*[2] but the *crop movement*[3] is not sufficiently heavy *to relieve tightness of contracts*[4]

—*I. Com., U P*

*Hints* 1 This term refers to the state of the market.

2 A pessimistic tendency showing a downward movement of prices

3. The placing of new crop in the market to increase supply.

4 To be instrumental or effective in easing or lowering the prices, particularly those of future contracts

*Questions.* (1) What is the influence of bearish sentiment on prices?

(2) Explain in simple English the above passage

*Exercise 3.* The wheat market opened higher than expected and *fluctuated narrowly*[1] during the *early part of the session*[2]. Prices thereafter advanced on *professional operators buying*[3] and *strong local support*[4]. Closed *firm* (5).

—*The Pioneer*

*Hints* 1. The prices moved by a narrow margin, or changed slightly.

2. The early period of the week, that is Monday or Tuesday.

3 The bear speculators were buying to cover themselves

4. Local trade demand, or the demand made by local traders and consumers.

5. The state of the market at the close was such as to indicate high prices

*Questions* (1) Give a suitable title to the above passage to indicate the general tone of the market

(2) Explain fully what you understand by 'bear-covering'.

(3) Expand the important ideas and translate the above passage in your own language

*Exercise 4* In the New York cotton market trading commenced with a *steady tone*[1], *March position*[2] being quoted at an advance of three *points*[3] The rate soon improved by further one point This improvement was *in sympathy with*[4] the higher *overseas advices*[5] But later *increased liquidation*[6] appeared, while demand slowed down and the market developed a downward trend.

—*I Com, Bombay*

*Hints* 1 The market was in a state of normal healthiness, that is, the prices were maintained on the level and they were not moving either way

2. A forward contract is called a position. Here it means March delivery

3 Cotton in the New York market is sold in cents per lb The term 'point' indicates the rise or fall in price by one cent per lb

4 Price movements of one commodity reacting on the price of the same commodity in other markets, or on different commodities in the same or different markets This is called sympathetic movement of prices

5 Demand or Enquiry from foreign traders and consumers

6 Unloading of stock by bull speculators because prices have not moved up according to their expectations

*Question* (1) Explain the term 'bull liquidation' and show its influence on the price of a commodity

2 Give an explanation of the above passage

3 Suggest an appropriate title

*Exercise 5* The *jump*[1] in cotton prices, following the publication of the U S *acreage and crop reports*[2] last night, provided a *bullish incentive*[3] and prices opened firm all round. *Lack of support*[4] on the *higher levels*,[5] followed by sales for *profit taking*[6], however, caused a decline and prices in most cases closed under their *last levels*[7]

—*I Com., U P.*

*Hints* 1 A sudden rise in prices

2 Periodical reports published by the Government giving the area under various crops and the estimated yield

3 An upward tendency in prices

4 Absence of demand

5 At higher rates or advanced prices

6 Profits realized by an unexpected rise in prices

7 The minimum rate at which the transaction can be made, or the lowest price which the seller is willing to accept

*Questions* (1) Give a title to indicate the state of the market

(2) How does the publication of acreage and crop reports influence prices on the exchange ?

(3) Explain fully the above passage in your own words

## ADVANCED EXERCISES WITH GUIDE QUESTIONS

*Exercise 1*

The enforcement of *price control* on ready wheat at Hapur, in the absence of any such control in the Punjab and other provinces, has created many complex problems here and has resulted in *stagnating business* in *near futures* for the present *In sympathy with other markets* prices began to steady up and touched 4 At this price *sellers are reserved* People who are in a position *to demand actual wheat*

are insisting on it Normally *ready khattis* and *Bhadon futures* are quoted at Rs. 4 but actually transactions are taking place at a higher rate and the difference is being quietly paid in cash then and there —*The Hindustan Times*

*Questions* (1) What is price control? How does it affect the market?

(2) Give the substance of the market sentiment

(3) Explain fully the italicized words and phrases

*Exercise* 2

## MADRAS GROUNDNUTS

Madras December 22

The local Groundnut market continued *dull and inactive* throughout the week. *Selling pressure* has been heavy and *shippers have not got orders for appreciable quantities*

It is reported that the British Ministry of Food placed an order during the week for approximately 4 00) tons from Madras coast at £12 F O B London C I F quotation for Coromandel Machine decorticated kernels remains unchanged around £19/5 December January Shippers *buying limits* opened on Tuesday last around Rs 28 10 to Rs 29 for Machined (Per candy of 531 lbs *ex coast godowns*) and after improving slightly to Rs 29 and Rs 30 on Wednesday and to Rs 29 4 and Rs 30 on Thursday *eased* to Rs 8 5 and Rs 9 4 on Friday and closed around Rs 29 12 to Rs 30 4 —*The Madras Mail*

*Questions* (1) Explain the portions in italics

(2) Give an interpretation to quotations both for spot and forward business

(3) Rewrite the entire report in your own language

*Exercise 3*

Calcutta 3rd November

The firmness in the jute futures market at the time of last writing has given place to a definitely *easier feeling* during the latter half of the period under review *The improvement in values* on the

last occasion was due to the reports that there would be no fixation of prices for jute manufactures It is now realised, however, that mills have given the undertaking that there would be no undue rise in prices for hessians, only if the Government of Bengal assured them that there would be no undue restriction of the crop for the next season Having regard to the favourable stock position of the mills in regard to the supplies of jute and the possibility of a relaxation in the restriction programme, there has naturally been some apprehension regarding the present levels of prices for jute being maintained Mills have been *buying sparingly* during the past few days The downward tendency was arrested to a certain extent when the sandbag order was announced but *the rally has been short lived* and closing quotations are around the lowest levels for the week The futures market is closed today on account of a Jain festival, but in official transactions the quotation is reported to be around Rs 62-10

In the loose jute section, mills have not been interested while sellers have been *pressing for business* and are prepared *to discount rates* Indian Jat middles and bottoms were done at Rs 12.12 and Rs 9 12, respectively

In the pucca bales section also, *shippers* have not been active Earlier in the week, shippers did some small business in Dundee Daisee ⅜ and Tossa 4's at Rs 62 12 and Rs 61 8, respectively Quotations are purely nominal towards the close *fluctuating in sympathy with the futures market*

—*Commerce*

*Questions* (1) Give reasons for the easier feeling in jute at the close

(2) Explain the terms and phrases italicized

(3) Rewrite the above report in your own language

*Exercise 4*

Calcutta, 10th October.

Linseed prices have shown no notable change during the past week, firm rates have prevailed

throughout and *the undertone remains bullish* An improvement has been observed in *shippers' demand for ready goods* but arrivals are, on an average, small, and up country stockists reserved

The wheat market has remained firm owing to a scarcity of ready goods and scantiness of *up country arrivals* The demand, however, is not good at present as prevailing conditions in the flour market are not satisfactory, and mills may soon be obliged to reduce their days of work

The pulse market remains steady, there is a continuous demand for small quantities at slightly lower rates

| | Per bazar maund net. Rs | a | p |
|---|---|---|---|
| *Wheat—2°/₀* | | | |
| Cawnpore quality | 5 | 5 | 0 |
| Punjab " | 5 | 6 | 0 |
| Chandowsi " | 5 | 7 | 0 |
| *Linseed—5°/₀* | | | |
| Small quality | 5 | 13 | 6 |
| Bold " ... | 5 | 14 | 0 |
| *Rape Seeds—4°/₀* | | | |
| Cawnpore quality (mixed) | 5 | 6 | 0 |
| Punjab " yellow) | 6 | 0 | 0 |
| Bengal " (brown) | 5 | 4 | 0 |
| *Castorseeds—5°/₀* | | | |
| Loopline quality (small grain) | 5 | 10 | 0 |
| Cawnpore " (bold " ) | 5 | 10 | 0 |
| *Barley—2°/₀* | | | |
| Delhi/Cawnpore quality | 3 | 8 | 0 |
| Bengal " | 2 | 8 | 0 |
| *White Peas—5°/₀* | | | |
| Cawnpore quality | 4 | 15 | 0 |
| Delhi | 4 | 15 | 0 |
| *Lentils—5°/₀* | | | |
| Patna quality (bold) | 4 | 4 | 0 |
| Bengal " (small) | 4 | 1 | 0 |

*N B*—All quotations include new single B Twill bags Kantapukur delivery —*Commerce*

*Questions.* (1) Explain the expressions in italics.

(2) Describe the tone of the market in different sections.

(3) Summarize the report in the form of a telegraphic message.

*Exercise 5*

## RAW JUTE & COTTON MARKETS

*Calcutta Jute :—*

**Loose Jute.** The market is quiet with mills in general showing little interest, but some business is reported in India Jat Middle and Bottom, 50/50 assortment, at Rs. 11 and Rs. 7-8 per maund respectively, also in European Bottom alone at Rs. 8 and Indian Jat Tossa Bottom at Rs. 8-8 per maund.

**Pucca Bales.** Are nominally unchanged with only small business reported with shippers in Dundee Daisee 2/3 and Tossa Fours at Rs. 55 per bale.

## JUTE FUTURES

(EAST INDIA JUTE ASSOCIATION, LTD.)

Nominal quotation Rs. 56-12.

The Board of Control has fixed Rs. 56 as the clearing rate for marginal payment for March, 1942 delivery.

*Bombay Cotton :—*

The Bombay cotton market opened steady today and reacted slightly on jobbers' selling. Thereafter, prices improved on general buying influenced by the reports of frost The market closed steady.

The following are the quotations :—

| | | Last closing. | To-day's opening. | To-day's closing. |
|---|---|---|---|---|
| *Bengal :—* | | | | |
| Dec.-Jan. | ... | Rs. 126-8 | 128-4 to 128-12 | 128-0 |
| March | ... | Rs. 128-8 | 130-4 to 130-12 | 130-8 |
| May | ... | Rs. 130-4 | 132-0 to 132-8 | 132-8 |
| *Oomra :—* | | | | |
| Dec.-Jan. | ... | Rs. 190-4 | 192-0 to 192-8 | 191-0 |
| March | ... | Rs. 162-0 | 163-12 to 164-4 | 161-12 |
| May | ... | Rs. 164-4 | 166-0 to 166-8 | 164-4 |

*Broach* —

| | | | |
|---|---|---|---|
| April May, 1942 | Rs 210 4 | 212 0 to 212 8 | 213-4 |
| July-Aug | Rs 213 0 | 214-12 to 215-4 | 215 0 |

—*The Statesman*

*Questions.* (1) Give an interpretation to the quotations given in each section of the above market report

(2) Describe the course of a transaction in jute futures and illustrate your answer by giving fresh quotations.

(3 Explain the terms and phrases used in the report on loose jute section

(4) What conclusions do you draw from the cotton market quotations as regards the present state and future course of business ?

*Exercise 6*

FOREIGN PRODUCE MARKET

London, Jan 1.

The following are extracts from Reuter's Commercial Bulletin, dated December 31 All markets are London unless otherwise stated .—

American Cotton (New York)—January 16 93, March 17 28, May 17 42 July 17 49, Oct 17 49 Dec 17 53, Spot 18 55 Market Steady

Day s receipts at all U S ports 20,000 bales

New Orleans —Jan (1942) 17 93, March 17 33, May 17 47, July 17 55 Oct 17 74, Dec 17 77, Spot New Contracts 17 63

Chicago Wheat —Dec per bushel $1 26⅞ May (1942) per bushel $1 27⅝, Spot $1 28¾ Market Steady

Metals —Lead Pig Eng ingots unquoted Copper Sheets f o b £92 Spelter Current G I P unquoted Tin English Ingots £260½ Yellow metal £81 Iron Galvanized Corrugated Sheets c i.f Bombay £25⅝ do c i f Calcutta not quoted Copper best selected Ingot unquoted.

Linseed.—La Plata Dec -Jan £15 12 6 ; Cal. Pure Basis Dec -Jan £20 15 0 quoted

Linseed Oil naked per cwt 41s. 6d Government fixed selling price

Wheat (Baltic Exchange)—Rozario Santa Fe Parcels Dec Jan. (sellers) 22s 4½d Barletta Russo Dec.-Jan. (sellers) 22s 6d quoted South Australian F O B Parcels Dec Jan (sellers) 27s 6d

Shellac —Easier T N Shellac Spot 175/8 sellers do c.i.f 128/6 sellers —Reuter

—*The Statesman*

*Questions* (1) Give a detailed reading of the above report and write out the general sentiment of the market

(2) Make a comparative study of the rates prevailing in the London market for American cotton and wheat.

(3) What conclusions do you draw by studying the spot and forward rates for cotton and wheat ?

*Exercise 7*

## INDIAN GRAIN MARKETS

### RANGOON RICE

Prices in the Rangoon rice market today were unchanged There were no outside quotations

*Inside prices* —Big Mills Rs 352-8 Nagasein Rs 362-8 Rs 370, Special Rs 389 All new crop Meedone old Rs 495 Europe old Rs 580. The market was better

*Boiled Rice* —(All new crop) Long and Milchar both Rs 395 Rs 400 Nagasein Rs 375, Rs 380 Broken Rs 305, Rs 315 , Meal Rs 7 8

Paddy (new) Nagasein by rail Rs 140 and by boat Rs 138, Rs 139 Arrivals 44 000 baskets

### KARACHI

*Wheat—*

Wheat Ready Rs 43-7-0 , July Rs 37 6 0 , January Rs 43 6 0 , March Rs 43 5 0

Tone The market was easy in sympathy with lower Punjab and higher Hapur advices. Demand Quiet

*Gram—*

Gram Ready Rs 36 3-0, July Rs. 32-3, advice demand quiet January Rs 36-2

**BOMBAY**

*Wheat—*

Wheat pici 10 p c Ready Rs 7-9-0, Delhi-Cawnpore Forward January Rs. 5-13-6, May (per cwt) Rs. 6-15-3.

Wheat Wheat opened quiet with May at Rs. 6-15-3 The Market was devoid of any special feature The lack of any constructive developments in Far East also restrained enthusiasm. Closed steady at Rs 6-15-9

**HAPUR**

*Wheat—*

Today's opening Ready Khatti Rs. 4-6, Jeth Rs. 3-14 3, Last night closing Jeth Rs. 3-14-9, Lowest Rs. 3-14-6, Stock Khattis 194, Present Jeth Rs 3-14-6 Magh As 3-9, Jeth As 7-0

*Gram—*

Ready Rs 3-15-0, Magh Rs. 3-15-0. Stock · Khattis 18, Jeth Rs. 3-7-9

*Arhar—*

Ready Rs. 3-3 0, Magh Rs 3-3 0 Stock Khattis 34, Jeth Rs 3-8-6

*Barley—*

Ready Rs 2-13 9, Magh Rs 2-13-9 Stock: Khattis 47; Jeth Rs 2 11-9

The wheat market was easy in sympathy with lower Punjab advices and favourable weather in India, prominent speculators selling

—*The Hindustan Times*

*Questions* (1) Make a comparative study of wheat prices in different markets and draw your conclusions as regards the inter market dealings

(2) Give an interpretation to the quotations for different commodities reported in the above report

(3) Why were the wheat markets easy? Give reasons

(4) Describe the business conditions of all the markets in a brief statement for the use of the general public.

*Exercise 8*

Calcutta, 13th October

Both the jute and jute manufactures markets have been weak during the past few days The rise in the jute futures market on the announcement of the increase in working hours has not been maintained The deterioration in the war situation and the announcement that henceforth the Jute Controller will be the sole importer of jute into the United Kingdom have been responsible for the sharp fall in prices in the last three days The statement by the Bengal Premier that no decision has been reached by the Bengal Government regarding the fixation of the area under the crop for the next season has not had any effect on the market There is a general tendency to await further developments Mill buying has been rather on a small scale during the period under report. Sellers have been anxious to do business and closing prices are near the lowest levels for the week

In the loose jute section, sellers have been keen for business and there is an appreciable decline in rates Indian Jat middles and bottoms were done at Rs 14-8 and Rs 11-8 per maund, and it might be possible to discount these prices by As 4 Earlier in the week, some business was reported in Supervised Jat tops, middle and bottoms at Rs 17-4, Rs 15-4 and Rs 12-4 per maund respectively.

In the pucca bales section, business has been on a very small scale and shippers have been inactive. Firsts ready $\frac{7}{8}$ were done at Rs 72 per bale Old crop firsts $\frac{7}{8}$ were done at Rs 5-4 below the ruling futures rate

The futures market has been rather weak, and there has been considerable speculative selling From Rs. 76-8 at the time of last writing there has been a decline to Rs 69-8 on Friday Quotations have been fluctuating around this level since then There was a decline from Rs 71-4 this morning to Rs 69-11 The close has been a shade better at Rs. 70.

—*Commerce*

*Questions.* (1) Pick out the words and phrases of technical nature relating to tone, tendency, quality, quotation or volume of business.

(2) Explain the terms, picked out by you in Q 1, with reference to the context

(3) Expand the second paragraph of the report for presentation to a layman

(4) Paraphrase the fourth paragraph in simple language

*Exercise 9*

Bombay, 15th October

| | *New York* | | | *Broach* |
|---|---|---|---|---|
| | Jan. | July | | April/May |
| 7-10-1941 ... | 17.24 | 17 69 | Expected 8th | Rs 223½/- |
| 14-10-1941 | 16 93 | 17 44 | Expected 15th .. | „ 210½/- |
| | —.31 | —.25 | | —Rs 18/- |

The third Bureau Report which came through after we had written last week's report, was certainly a surprise, production being estimated at nearly 300,000 bales more than a month ago, while the cotton trade in America had anticipated some reduction. The ginning figures were unexpectedly high at 4,713,000, and as these represent actual facts, it seems

difficult now to think that the Government report will be materially incorrect when final crop figures are available As a result, *New York prices are 25 to 30 points down* since a week ago, and though figures for September are again lower than expected at 876,000 bales, the rather larger crop should have little effect on the *cotton position* in the U S A

In Bombay we are once again considerably lower and the Bureau Report promptly caused a decline of some Rs 8, though it is hard to see what difference it makes to the Indian cotton position whether the U S A grows ten million or eleven million bales Nevertheless, *the old sentiment as regards New York dies hard*

The further drop here was caused by unsatisfactory war news from the Russian front, and, while we are above the lowest figure touched on Monday, and though more buying was in evidence yesterday, *the market shows little indication that the break in prices has yet been checked*

December/January Oomra contract has *narrowed* further as compared with April/May Broach, *the budli difference* now being Rs 46 We suggest that this is fully narrow with the prospect of a good Oomra crop

Rumours prevail regarding possible Government action in connection with medium and short-staple cottons, but we doubt whether it is feasible here to follow the action taken in Burma

*Ready demand has perhaps slightly improved,* but is still far from good, and, meantime, ginnings are in full swing in Sind, where the crop is reported to have suffered to some extent by shedding due to excessive heat, but reports of damage are probably exaggerated

African prices have declined further and new crop A. R Kampala has been sold at Rs. 200 on New crop Egyptian, which was offered at the end of last week *on a par with old crop,* has been slightly advanced in price

Discussions are again proceeding between the Supply Member and the textile industry regarding Government supplies It is a fact that the present prices of raw cotton bear even less relation to prices of yarn and cloth than ever before

—*Commerce*

*Questions* (1) Explain fully the portions italicized in the above passage

(2) How does the unfavourable war news affect the Bombay Cotton Market?

(3) State why New York Cotton is adversely affected by the publication of the Bureau Report

(4) Make a *precis* of the above report.

(5) Give a title and a sub title

*Exercise 10*

Hapur, 10th October.

During the week under review, oversea wheat markets remained very quiet, and there was a small decline in increased supplies available in the U S A, and *bearish statistical position* in general

In India, however, wheat markets have again *moved very erratically* There were wide fluctuations almost daily, and both *bulls and bears looked equally arrayed* The week opened with an unsteady undertone, and continued to record a gradual decline in prices for new wheat till Sunday Weakness of seeds and cotton and hopeful *Swani* crop returns induced very heavy speculative sellings Besides, next crop sowing prospects are regarded to be quite promising, as it is believed that relatively higher prices obtaining this year might provide a certain inducement for larger sowings both in the Punjab and in the United Provinces Harvesting of food crops has begun in the U. P. and is likely to begin in the Punjab within a week's time *The steady inflow of the produce is bound to exert a quietening influence on the markets* For these reasons, values

might have declined ever further but for the fact that buyings for exports have been unexpectedly large and this has given a very valuable support to the stockist bulls Shipments from Karachi have been maintained at a very steady pace and there is no factor that warrants any pessimism in this regard for the near future It is reported that during the past 3 weeks more than 50,000 tons have been booked.

Karachi remained somewhat steadier due mainly to encouraging export demand The closing quotations are spot Rs 40 9, November 40 9, January Rs 40-12, and July Rs 34 14 *Trading was fairly active and July contracts received increased notice* Speculators played on both sides. Arrivals from upcountry averaged 10,000 bags daily owing to the fact that Punjab prices are now on good *parity* During the week ending 4th October, spot sales totalled 1 lakh bags, of which 75,000 bags were brought by two European shippers

Bombay closed last night at January Rs 5-5 9 and May Rs 6-6 6. Demand was generally slack, so that *changes were narrow* but prices were maintained on account of some *up country support*

At Hapur Jeth had closed at Rs 3 9-5 on Friday last On Saturday it fell to Rs 3 8 8 lowest for the week On Sunday it continued to be quiet and closed at Rs 3 9-3 There was an improvement on Monday to Rs 3-10 10½ On Tuesday it rose to Rs 3-11-5 Weakness set in on Wednesday evening when Jeth fell to Rs 3-10, it went further down to Rs 3-9-7½ on Thursday and is presently quoted at Rs 3 10-1 *Ready wheat prices as also Mangsir futures remained pegged round Rs 4, the maximum control rate* It may be mentioned that no sooner had prices fallen below Rs 4, than demand for ready wheat also showed slackening tendency, as mills began to take supplies from other near centres Exports during the week were very heavy and totalled 91 *khattis*. The present stock is 542 *khattis*, as against 581

*khatti* at the corresponding period last year, and 530 *khattis* in 1939

In the Punjab, prices have been maintained at former week end level Following are the latest quotations in the important markets Amritsar Hari Rs 3 10 Lyallpur Har Rs 3 9 9 Okara Mangsir Rs 4 9 4 and Har Rs 3 3-9 —*Commerce*

*Questions* (1) Give detailed explanations for the italicized portions

(2) Describe the tendency of the overseas market

(3) Give reasons for the erratic movement of wheat prices in India.

(4) Make a *precis* of the above report.

(5) What title would you suggest for this report?

## CHAPTER IX

# MANUFACTURED GOODS MARKET REPORTS AND PROGRESSIVE EXERCISES

The manufactured goods market represents that section of the commodity market which deals in manufactured and partially manufactured goods such as sugar, iron and steel, hides and skins, leather, piecegoods and yarn Each of these commodities is a specialized line of business and therefore each section maintains an independent internal orgnization for carrying on its transactions In India, however, the organization of these specialized markets is still very incomplete, and in many cases, such as the piecegoods and hides and skins sections, a central organization is absent, and several independent bodies in a large commercial centre constitute the exchange The distribution of principal markets in India is as follows —

| | |
|---|---|
| *Cotton piecegoods.* | Amritsar, Bombay, Calcutta, Cawnpore, Delhi. |
| *Gunny and Hessians.* | Calcutta, Cawnpore, Delhi |
| *Hides and Skins.* | Agra, Cawnpore, Madras, Rangoon. |
| *Metals and Steels* | Bombay, Calcutta, Cawnpore, Delhi, Jamshedpur. |
| *Oils and Oilcakes.* | Bombay, Calcutta, Cawnpore, Madras, Colombo |
| *Sugar and Gur.* | Bareilly, Calcutta, Cawnpore, Karachi, Meerut. |
| *Tea and Coffee* | Calcutta, Colombo, Madras, Rangoon |

*Bombay Piecegoods Exchange* There is no piecegoods exchange as such for transacting the piecegoods

trade but there are three principal markets in Bombay to deal with the textile trade, these are Mulji Jetha Market, Mangaldas Cloth Market, and Laxmidas Khimji cloth market. Each of these consists of hundreds of shops but the Mulji Jetha Market is the main market harbouring many of the wholesale traders. Each shop is generally occupied by a trader dealing in textiles, and some of the shops are even occupied by the selling agents of the Indian mills. These traders buy and sell their goods *inter se* and they also sell to the commission agents of the up-country buyers. The buying by the trader is generally done through the broker who gets his brokerage at 1/8 p c to ½ per cent as may be prevalent in the particular class of goods, and there are also certain rules and regulations of the particular Association governing the sale and purchase of different classes of textiles. The usual terms are delivery within a few days after the goods have been ready for delivery, and payment within a few days thereafter, though the seller is at liberty to demand cash if he so desires in which case he will have to allow a further rebate at 9 per cent per annum. The import of foreign goods, which has owing to political circumstances become very negligible, was done through the indenting firms generally, and was governed by the revised conditions of contract passed by the Exchange in consultation with the Bombay Chamber of Commerce. The rates for cotton piecegoods quoted on the exchange are as follows

Grey Dhotis (Two Birds) Rs 1-4 per pair

Striped Drill (Burhanpur Tapti B. T M —Split—) Rs 5-12

Coatings Koh i noor Mills Rs 13-0

*Calcutta Gunny Trades Association* This is the principal market for conducting the *futures* trade in gunnies and hessians. The object of this Exchange is to promote unity amongst the dealers in the hessians trade at Calcutta, to facilitate the conduct of futures business in manufactured jute goods, and to

decide disputes by arbitration The members of the Exchange are mostly brokers and representatives of manufacturers, and no buyer or seller is usually a member of the market Transactions take place in selected qualities, and the settlement is usually within a few days after delivery. The *bona fide* purpose of this futures market in hessians is *hedging*, or protection against loss, the hessian trade being mostly seasonal and incidental In order to minimize wide fluctuations and to test the financial position of the market between two settlements, provision is made for periodical payment of differences called *Bhuktan* on the exchange Much speculation is rife in this market. Some typical quotations are —

9 Porters Ready March Rs 13 0, May June 13 4

Cornsacks Ready March Rs 33 6

Gunnies B Twills February shipment Rs 32 2

*The Calcutta Tea Exchange* is the largest tea market in India where business is effected through brokers The system of purchase and sale is by auctions which take place every Monday and Tuesday Tea is sold in chests on the basis of samples inspected and catalogued by brokers Grading is done by the names of places or tea plantations from where tea is imported in the market, *e g*, Darjeeling Pekoe, Assam Fannings etc The Settlement Day is the *Prompt Day*, which is the tenth day after the sale, on or before which payment in full must be made If delivery is not taken on or before the Prompt Day, the buyer has to pay for all damages and losses occasioned by re sale The goods are stored at seller's risk up to the Prompt Day, if delivery is not taken earlier All contracts are made amongst brokers who are members of the Exchange Some typical quotations of the Calcutta Tea Exchange appearing in market reports are given below —

Darjeeling Flowery Orange Pekoe 18 as per lb. Quota Rate

Broken Pekoe Souchongs 15 a Done

F S

Dusts and Broken Grades (low) 9 as. Sellers Over.

*The London Tea Exchange*, situated at Mincing Lane, E C is the largest tea market of the world. Business is transacted by auction usually through brokers. Selling brokers act on behalf of the importer and buying brokers on behalf of the purchaser The selling broker prepares samples for grading and fixes prices, and passes on the samples for inspection to the brokers of intending buyers There are regular days for auction, *i e*, Mondays and Wednesdays for Indian teas, Tuesdays for Ceylon Thursdays for Java The Prompt Day is fixed three months after the day of purchase The unit of sale is usually one chest of about one cwt., and every purchaser is required to make an advance of £1 per chest on the day of purchase Prices are quoted in sh d. per lb.

EXPLANATION OF MARKET QUOTATIONS

*Example 1*

DELHI PIECEGOODS MARKET

Delhi, May 28

| | | | |
|---|---|---|---|
| Latha white Z 526 | | Rs 24 0-0 | *Buyers over.* |
| 2233 | . | Rs 20-0-0 | *Done* |
| Malmal R D 199 | .. | Rs. 9-8-0 | *Quiet.* |
| Dhoties D M 45 | . | Rs 4-8-0 | *Steady* |
| R D. 1263 | | Rs 4 8-0 | *Steady* |
| Sarees R D 434 | | Rs. 3-10 0 | *Quoted.* |
| Drill White R D 209 | | Rs. 11-4-0 | *Quoted* |
| Shirtings R D 5793 | | Rs 9 8-0 | *Firm* |
| R D 5818 | ... | Rs. 16-0-0 | *Steady.* |

*Tone* Steady to firm at the close.

*Comment* This statement of prices current is taken from the Daily Report of the Delhi Piecegoods Market The prices quoted above refer to different terms and units of sale in each article, and all transactions are for ready delivery For example, the quotations for Latha are per lot of 40 yards, for Malmal, per lot of 20 yds., Dhoties, per pair; Sarees,

each Drill white per lot of 14 yds, Shirtings, per lot of 24 yards There are other terms attached to each of these quotations For example '*buyers over*' indicates a heavy demand owing to an excess of buyers over sellers '*Done* indicates the bargaining price at which goods changed hands, or transactions took place *Quiet* means a dull business and low prices *steady* points out a static condition or no change over previous day s prices *firm* indicates good business and high prices The term *quoted* shows little enquiry from buyers and therefore negligible business All these terms are indicators of business conditions on the day under review and the prospects of business on the day following

*Explanation* The above are prices current of certain classes and varieties of cotton piecegoods dealt in on the Delhi Piecegoods Exchange These prices are for the 28th day of May 1942 After going through the comment on this report, the student will understand the terms on which transactions were made and the state of business in respect of each class of goods The two varieties of Latha White were quoted at Rs 24 0 and 20 0 for each lot of 40 yds respectively In the case of variety No Z526 there was a heavy demand and indications were for higher prices, whereas in the other variety No. 2233 the conditions were unchanged Malmal, of the R D. 199 Trade Description, was quoted at Rs 9-8 per lot of 20 yds, but in the absence of demand no business could be transacted The prices of other classes of goods indicate on the whole a good tendency and a fair amount of business, and impart a cheerful tone to the market

*Conclusion* A survey of business conditions prevailing on the 28th day of May, in the different sections of the Delhi Piecegoods Market, leads us to conclude that the tone of the market was firm In the opening stages most of the sections were steady, but with the increase in demand during the day, probably due to inquiries from upcountry

traders, prices showed an upward tendency On the whole, a good amount of business was transacted and the market closed with a firmer tone, which indicates that the prospects of business for the next day were bright

*Example 2*

CALCUTTA GUNNIES AND HESSIANS MARKET

Heavy Goods B Twills Rs 38 8, Heavy C s at Rs 38, both Ready (Sept)
Oct -Nov Cables quiet unquoted
Dec Jan Shipments Rs 40 and 39 respectively

| Hessians | Ready July F A S | Aug /Sept | Oct./Dec | Jan./March |
|---|---|---|---|---|
| 9 Porters .. | 20-0 | 19-8 | 18-4 | 16-12 |
| 11 Porters | 25-6 | 23-4 | 22-0 | 20 8 |

*Comment* These quotations are taken from the Weekly Report of the Calcutta Hessians Market The rate are quoted both for spot and forward deliveries Ready rates in the case of Hessians are F A S (Free Alongside Ship) which means that the seller will bear all expenses till the goods are brought alongside the ship for loading, and the buyer's share will begin from the loading of goods on board, freight, etc It should further be noted that the rates are quoted for two separate sections of the market *viz.*, Heavy Goods which deals in coarse stuff, usually bags and gunnies, and the rates refer to each unit of 100 bags (2) Hessians which deals in fine jute textile, and the rates are quoted per 100 yards

*Explanation* Gunny bags of B Twills mark were transacted at Rs 38 8 per 100, and Heavy Cees at Rs 38, both rates being for ready delivery in September The rates for forward delivery are however different There was not much demand for deliveries between October and November, and therefore the rates were not quoted, but for December and January the rates quoted to shippers were Rs 40 and Rs 39 respectively.

In the Hessians section as will be noticed the rates show a downward tendency The rates for ready delivery in July are the highest in both qualities of hessian but for forward deliveries the rates have steadily declined Thi shows that the Ready Rates are the best and the futures business is dull

*Conclu ion* These quotations are market pointers for futures business on the Hessians Exchange The rates indicate a dull tendency in both sections of the market In view of the easier tendency not much business is reported The sellers are not showing any interest at these rates and the prospects of business do not seem bright

*Example 3*

CAWNPORE SUGAR MARKET

(i) Gola opening Crystal No 1 Rs 11 13 6 Special 11 12 0 Special No 2 11 10 spot July Aug 11 4 6 quiet Upcountry Arrivals 19 000 bags Estimated Stock 75 000 bags

(ii) Gur Sugar Gutaiya Crystal Rs 1? 4 0 *F O R* Crushed Ready 10 4 0 *ex warehouse*

(iii) Karachi Crystal Special Aug /Sept Rs 15 Java White Rs 15 0 spot Rs 14 Sept *C I F*

(iv) Meerut Gur First Rs 3 10 Second 3 8 August/ September Nov /Dec Rs 3 2 and Rs ? 15 Closed quiet

*C en* Cawnpore is the principal sugar market of India It is both a collecting and distributing centre for Indian crystal sugar Foreign sugar is generally dealt in on the Karachi Bombay Bhavnagar and Calcutta markets while Meerut specializes in Gur and Bareilly in crushed sugar Foreign sugar is imported in India from Java Cuba and New York and is known by the name of origin In Cawnpore and Calcutta the rates are quoted in Rs as p per bazar md of 82⅔ lbs In Bombay the rate is quoted in Rs as p per cwt whilst in Madras per candy of 500 lb The above quotations refer to Indian as well as

foreign varieties. Sugar is graded uniformly as *superfine* Crystal No 1 and 2, Crushed No 1 and 2, according to the size colour, and purity of crystals, and quotations always refer to the name of the Mill or the place of production

*Interpretation* (i) These quotations refer to different grades of sugar produced at Gola Gokarannath O. & T Rly The opening rates for Gola sugar in the Cawnpore market were Rs 11-13-6 per md for Crystal No 1, which is the best variety, Rs 11 2 for special or second quality and Rs 11 10 for the third quality All rates are for ready delivery The prices for July-August delivery are Rs 11-14 per md which indicate a dull forward business The market received 19 000 bags for sale during the week from suburban markets, and the total estimated supply, including the upcountry imports was 75,000 bags

(ii) These are quotations for sugar manufactured out of *gur* The price of gur sugar is usually higher than that of cane sugar The rates for the Gutaiya sugar (manufactured by the Gutaiya Sugar Mills, Ltd., Cawnpore) were Rs 12 4 for crystal and 10 4 for crushed varieties respectively Both rates are for ready delivery In the former case the rates are F O R. (Free on Rail) *i e*, the seller will pay all expenses of putting the goods on rail (the goods train) but the price will not include railway freight If the term is *F O R Destination*, the seller will pay freight also On the other hand, in the latter case, the rates are *ex warehouse* which means that the price quoted is for goods lying in the Mills godown and the buyer will pay all charges of removing the goods from the warehouse to destination

(iii) In the Cawnpore Sugar Market the rates for Karachi sugar of special quality were quoted at Rs 15 per cwt. of 11 lbs for Aug /Sept delivery The rate of Java white sugar prevailing at Karachi and quoted at Cawnpore was 15 per cwt for spot delivery and Rs 14 for September future The term

C. I F (Cost, Insurance and Freight) shows that the price of goods includes freight and insurance in addition to other charges till the goods arrive at the port of Karachi The forward rates are lower on speculative selling perhaps on the expectation that new arrivals in September from Java will be heavy and prices rule easier

(iv) These rate quoted at Cawnpore refer to prices of *gur* at the Meerut Gur market which is supposed to be the largest of its kind in North India Business in Meerut Gur is done at the Cawnpore market only in futures The rates for the first quality were Rs 3 10 per md and Rs 3 8 for the second quality for August/September delivery For Nov /Dec delivery the rates were lower at Rs 3 2 and 2-15 for the first and second qualities respectively In the absence of good demand for either position (or delivery) the general tone of the market was dull The Nov /Dec positions were lower in the hope of a lower tendency at this time when new *gur* will be placed on the market Future prospects of business are not bright

*Example 4*

## CALCUTTA SHELLAC MARKET

Calcutta, 30th May

Lemon Superfine Rs 78 *sellers over*
Pure Buttonlac Rs 73 *buyers*
Ordinary Superfine Rs 73 *do ie*
Bysaky seedlac Rs 56 *done and buyers*
Arrivals 150 tons, shipments 6 770 chests Closed fully steady

*Comment* These quotations are taken from the Calcutta Shellac Market Report and refer to rates prevailing at the close of the week, *i e*, on Saturday Prices are quoted in Rs as p per Bengal md of 82 lbs and delivery is made in bags of 16 cwt each There are certain terms attached to each of the above quotations which must clearly be understood *Sellers*

over means an excess of supply over demand and therefore a downward tendency of prices, *buyers*, on the other hand, means a large demand or an excess of buyers over sellers, hence an upward tendency of prices, *done* means that transactions actually took place at this level and the market was steady, *done and buyers* indicates that good business was done at this level and there was further enquiry forcing up the prices

*Interpretation* The price of the best variety of shellac, known as Lemon Superfine (graded by colour, which is lemon-yellow), was Rs 78 per md This variety was not in much demand, consequently an oversupply produced a downward tendency in this section

The price of the first quality of shellac, known as Buttonlac (because it is sold in blocks of button shape) was quoted at Rs. 73 per md This quality of shellac was much in demand, and therefore the price was high

The ordinary superfine quality of shellac was transacted at Rs 73 per md There was no change in this section

In the poor grade section, the Bysaki seedlac, or the residue of the Bysaki crop after removing shellac, changed hands at Rs 56 per md and there was much demand in evidence The prices were therefore high

The total imports of shellac for sale in the Calcutta market from various upcountry centres, amounted to 250 tons whereas the exports of shellac from this market reached 6,770 chests Shellac is exported in chests of 15 cu ft each for the London market and sold there in sh d per c w. t

A survey of business transactions in all the sections of the Calcutta Shellac Market shows that the tone of the market in general was steadily improving and there were good prospects of business

*Example 5*

MISCELLANEOUS MARKET QUOTATIONS

(*i*) Linseed Oil (London) Spot 45/6, May 47 paid.

(*ii*) Portland Cement (Calcutta) Indian Swastika Rs 44, Castle Brand 44 3 (wagon) English Snowcrete White Rs 33 large and 18 small f o r Calcutta

(*iii*) Iron and steel (Cawnpore) Pig Iron No 1 Rs 135, No 2 Rs 110 Tata Joists R S and M S Chamel Rs 20 and 25 G C Sheets No G 24 Rs 25 Quiet

(*iv*) Rubber (London) Para smoked sheets standard 12 spot, May 11 *value*

(*v*) Hides and Skins (Madras) Goat skins 65 to 70, sheep 45 to 50, wet salted buffalo at 7 to 9 lbs, framed buffalo calf @ 35, framed hides (Cawnpore) 70 to 75 Steady

*Comment* These quotations are taken from different market reports to illustrate the various methods of quoting and dealing on Indian and foreign Exchanges If the units of measurement in regard to different commodities are not remembered by the student he will fail to give a correct interpretation to these quotations

*Interpretation* (*i*) The quotation for Linseed Oil on the London Exchange was 45 sh 6d. per cwt for spot delivery, and 47 sh for May The term *paid* indicates that transactions were readily done for May delivery at higher rates than for spot This shows a rising future market in this section

(*ii*) Portland Cement on the Calcutta Exchange is quoted in Rs as p per ton (delivery in bags) for Indian and per drum for English varieties The Swastika brand of Indian cement was quoted at Rs 44 per ton and the castle brand at Rs 44-3 for transactions of not less than a wagon load. The English variety of snowcrete white cement was transacted at Rs 33 (large drum) and Rs. 18 (small drum)

(iii) Quotations are per ton for pig iron, per cwt for joists, and per md. for sheets The market displayed a dull and downward tendency

(iv) The rates for para rubber smoked and manufactured into sheets of standard size were 12d per lb for spot and 11d for May delivery in the London market.

(v) These rates, quoted on the Madras Hides and Skins Exchange, are for spot delivery The prices for goats and sheep skins are quoted in Rs as p per 100 skins Wet salted buffalo hides were transacted at 7 to 9 lbs per rupee Framed buffalo calf was sold at Rs 35 per md (82 ⅖ lbs) and framed hides were dealt in at Rs 70 to 75 per score (twenty pieces)

## EXPLANATION OF EXTRACTS FROM MARKET REPORTS

*Original 1* In the piecegoods market *the sentiment has been extremely dull* [1] *The offtake has been poor* [2]

—I Com., Bombay.

*Hints* 1 The state of the market has been such as to indicate absence of business

2 Very few transactions have taken place and therefore the purchases (indicating volume of business) have been small

*Explanation* This is an extract from the Bombay Piecegoods Market Report It shows that the market has been lifeless and no business has passed Transactions were few and nominal owing to an absence of demand, and only small quantities of goods were purchased Under these circumstances the tone of the market was dull and there was a downward tendency of prices

*Original 2*

On the other hand there is no tendency *to press sales,* [1] *holders* being content *to sit out and*

*await events*[3] in view of the sound *statistical position*[4] (Tea)

—*I Com Rajputana*

*Hints* 1 Eagerness on the part of sellers to dispose of their stock

2 Sellers, or holders of stock for sale in the market

3 To watch the tendency of prices and wait till conditions become favourable

4 Official report giving information regarding the quantity of production

*Explanation* In the tea market the sellers are not eager to dispose of their stocks They are withholding their stocks at the present and watching the tendency of prices which seem to be going down Under these circumstances it is advisable for them to keep reserved and wait for better conditions in future The present state of the market has deteriorated on account of the publication of the Government Tea Forecast showing the sound position of the new Tea Crop that is to come to the market very soon. In other words, a good future supply of tea has a depressing influence on the market In short the tea market is dull

*Original* '

The tone of the sugar market improved appreciably due to *bullish activities*[1] Later on the *buoyancy of the market*[2] was *marred by uncertainties*[3] regarding the reduction of the import duty The market *opened firm*[4] but *gave way* by the close of the month

—*I Com, U P*

*Hints* 1 Large business done by bulls, or heavy purchases made by bull speculators

2 The high tone of the market, indicating high prices

3 Checked by unconfirmed news or lack of certainty regarding a reduction in the import trade duty

4 In the opening stage of the market the prices were high

5 Prices fell or declined at the close

*Explanation* This passage is taken from a sugar Market Report In the opening stages the market showed considerable business activity and an upward tendency of prices due to heavy purchases made by bull speculators But this firm tone was not a permanent feature of the market In the later stages the rising tendency was checked because the dealers could not be definite about the intention of the Government to reduce the import duty on foreign sugar (It should be noted that if the Government reduces import duty foreign sugar will sell cheap in the Indian markets and will ultimately bring down the price of Indian sugar On the other hand if the duty is not reduced the high price of foreign sugar will tend to maintain a high level of prices in the case of Indian sugar as well ) Thus it will be seen that the prices in the opening stages of the market were high but they declined at the close of the month The market closed with a pessimistic tone

*Original 4*

Condition remained *quiet*[1] and *second hand quotations*[2] *eased*[3] by about one anna a maund Considerable *pessimism*[4] has arisen due to Java s reduction in her *selling limits*

—*I Com Rajputana*

*Hints* 1 There was not much business activity in the market

2 These are rates quoted by wholesale dealers and brokers to other traders brokers or consumers When rates are quoted by producers and manufacturers to traders or consumers directly they are called *first hand quotations*

3 The rates fell by a narrow margin *Easing* is a gradual decline in prices

4 The feeling that the future tendency of the market prices will be downward

5 Prices at which the holders offer their goods for sale

*Explanation* This extract, taken from a sugar market report, indicates a dull state of business Due to lack of buyers, or demand there was absence of business activity and therefore the prices were low. The rates quoted by dealers to traders declined by about one anna per maund. Another factor which *was responsible for this bearish or downward tendency* was a fall in the price of Java sugar which ultimately had a reaction on the price of Indian sugar That is, the price of Java sugar was reduced, and therefore to compete in the market there must be a sympathetic fall in the price of Indian sugar The general sentiment, however, is that the future course of market prices of sugar is likely to be unfavourable and may become the sport of the bear

*Original 5*

The Hessians market *continued quiet over the opening period*[1] of the week but later *improved considerally*[2] on account of *speculative buying*[3] and a *fair covering business*[4] being done by shippers for the *near positions*[5]. *Mills have shown more interest*[6] and sold fairly freely at the better rates obtaining[*] *Forward demand*[7] has, however, been negligible At the close of the market, *the tone is easier*[8] on account of the publication of the *Preliminary Jute Acreage Forecast*[9] of 19,03,000 acres

—*I Com*, *U P*

*Hints* 1 In the opening days of the market-week the condition of business was dull and therefore the prices were low

2 Later on, the prices rose by a good margin

3. Purchases made by bull speculators Bulls have purchased now for delivery in future because they expect a rise in prices

4 Bear operators were purchasing to cover themselves against previous commitments.

5. For delivery in the near future

6. Fairly good business has been done by mills, that is they have made good sales at the prevailing high rates

7 Speculative demand, or demand for future delivery, or forward business.

8 The prices have slightly declined

9 The first publication of the Government Forecast showing the area under jute crop and the estimated yield for the season

*Explanation* This passage is taken from the Calcutta Hessians and Gunnies Weekly Market Report After making a survey of the business conditions and the changes in prices over the week, the reporter concludes that the general state of the market is not favourable When the market commenced business on Monday, the opening day of the week, very little business was done and the prices as a whole were low During the middle of the week, however, some life was infused into the dull market The bull speculators began making purchases in the hope of a rising tendency in furure, while the bear speculators were making heavy purchases now to cover their accounts for delivery in the near future Both these factors were responsible for raising the tone of the market and forcing up the prices The jute mills, on the other hand, had taken ample advantage of the situation and had sold fairly heavy stocks of hessians and gunnies at the high rates now prevailing in the market, thereby realizing huge profits There is however, very little demand for forward positions (deliveries) and therefore trade in futures is dull. It hardly needs emphasizing that the demand during the week was of local and temporary character, therefore the high level of prices could not be maintained Moreover, at the end of the week, the first Government

forecast on the forthcoming jute crop was published, and in view of a better position in regard to the area sown and probable yield of raw jute, it reacted on the manufactured jute goods market That is, a good supply of raw material (jute) would ultimately lower the price of hessians and gunnies Consequently, the tendency of the Hessians market deteriorated at the close and the prospects of business do not look bright

EXERCISES WITH HINTS FOR EXPLANATION

*Exercise 1*

## BOMBAY PIECEGOODS MARKET REPORT

There was a comparatively *sharp rise*[1] in prices in all *sections*[2] during the week under report, though the volume of business was limited *Forward transactions*[3] were few Indian Grey shirtings and other *cold weather lines*[4] attracted good demand and registered a sharp rise

*Hints* 1. A sudden and fairly high increase in prices

2. In all classes and qualities of goods

3 Dealings in future contracts

4 Cloths suitable particularly to meet winter requirements

*Questions* Explain fully the above passage in your own language

*Exercise 2*

## CAWNPORE HIDES & SKINS MARKET REPORT

The local hides and skins market ruled firm during the past week *in sympathy with*[1] Madras and Calcutta markets Yesterday the price of wet-salted goat-skins *showed a drop*[2] of Rs 15 per 100 pieces, but *rallied again*[3] and registered an advance of Rs 5 at the close On the whole prices are *maintained for all positions*[4]

*Hints.* 1 In order to keep pace with the level

of prices prevailing in the Calcutta and Madras markets the Cawnpore rates also advanced

2 Declined temporarily, due to lack of buying support

3 Advanced again with the return of business activity

4 The prices are now steady for all forward deliveries

*Questions* (1) Give reasons (imagine a few) for the fluctuations in the price of goat skins

(2) Rewrite the above passage in non technical language

*Exercise 3*

LONDON LINSEED OIL MARKET REPORT

Considerable activity was displayed in the Linseed Oil section with continuance of favourable war reports *stimulating inquiry*[1] but *lack of fresh developments*[2] *restricted passing*[3] *Trading in October*[4] began at 48, *i e*, *7 points higher than last closing*[5] Prices advanced on trade and local enquiry with some *outside support*[6] *A fair trade has been passing*[7] in Calcutta Mills (raw) fine quality

*Hints* 1. There was a great demand stimulated by the Allied local success in the war

2 Lack of support from other quarters, such as, foreign demand, scanty supply, bear covering, etc

3 A limited amount of business was transacted

4. Contracts for October delivery

5 The price was higher by 7 pence over last week's closing rates

6 Foreign demand, or purchases made by foreign traders

7 Fairly good business is being done

*Questions* 1 Describe the general tone of the market in the form of a *heading*

2 Give a paraphrase of the above passage

*Exercise 4*

## CALCUTTA TEA MARKET REPORT

The quality of *offering* [1] shows the unusual seasonal decline but there was a better selection from the Darjeeling District with *a few invoices of attractive quality catalogued* [2] *The market was lower for all grades* [3] except common pekoe which old about the same level as the previous week A large number of *rubbishy parcels* [4] which was *in print* [5] could not be *floated even for the asking* [6] Although irregular, there was a good general demand for *mediums* [7] at the lower level of value Broken Pekoe Souchongs showed the smallest decline and were half an anna lower, Broken Pekoe half to one anna Fannings grades one to two annas, and Broken Orange Pekoes receded by two to three annas The market closed on an easier tone *with buyers looking on* [8]

*Hints* 1 Tea offered for sale on the exchange

2 Good qualities of tea catalogued by brokers for auction

3 The price was low for all qualities

4 Consignments of poor grades of tea

5 Included in the list prepared by brokers for all grades of tea offered for sale

6 Offered at the lowest price.

7 Moderate or average quality of teas

8 The buyers were waiting for a further fall in price

*Questions* (1) Describe the method of sale on the Calcutta Tea Exchange.

(2) State briefly the general tone of the market.

(3) What factors, latent or specific, give colour to the tone described in the previous questions ?

(4) Explain fully the above passage without using technical words and phrases

F 9

*Exercise*

## CAWNPORE HESSIANS MARKET REPORT

The Hessians market has been firm throughout the week, but it has been difficult to conclude transactions owing to lack of sellers. Some *long interest*[1] appears to have been built up in the market. *Near at hand goods*[2] are *firmly held*[3] and mills are unwilling to sell for forward deliveries at the present level. As a consequence there has been no large *turnover*[4]. Juggilal and Katihar mill hessians sold at 35-12 for February shipment. The Heavy Goods section, which last month was the *lame duck of the market*,[5] has now become the *star turn*[6]. *Firm foreign cables*[7] coupled with a good *spot demand*[8] have produced an *orgy of speculation*[9] and *nervous shorts are compelled to cover*[10]. B Twills (2) were quoted at 37-12 and B Twills (2½) at 43.

*Hints* 1 Bullish sentiment produced by strong bull activity.

2 Stock in hand for sale, or stock held by sellers

3 Not being offered for sale or not disposed of

4 Amount of business effected or goods sold on the market during the week

5 The object of much bear speculation, or the goods which suffered most because of a fall in prices

6 The outstanding section, which is benefiting most by a rise in prices

7 Good orders from foreign countries

8 Ready delivery of goods.

9 An uncertain atmosphere created by wild speculative activity. Prices fluctuate sharply due to rumour (bull campaign) and counter rumour (bear raid)

10 The bear speculators who had become nervous on account of an upward rise in prices, had to make purchases now to cover themselves against future commitments.

*Questions* (1) Describe the tone of the market

(2) Why was there a poor turnover in hessians ?

(3) What factors toned up the heavy section of the market ?

(4) Expand and re write the ideas contained in the above report by fully explaining the terms and quotations

*Exercise 1*

ADVANCED EXERCISES WITH GUIDE QUESTIONS

Calcutta Jan 25

The catalogue of tea for consumption in India consisted of 14,079 packages of black and green teas, and 13,094 packages of Dusts.

The sale passed with a very irregular tone Best liquoring broken grades met good support and were 3 to 6 pies dearer, while for all other kinds prices were lower Stalky teas and ordinary fannings were neglected and mostly withdrawn without bids Green teas were strong to dearer, except for lower sorts which were irregular

Dusts showed a sharp decline of 1 to 2 annas

*Questions.* (1) Give a title to the above report, showing the tone of the market.

(2) Rewrite the above report in simple language.

*Exercise 2*

Calcutta, Dec. 20.

HESSIANS Prices showed a further improvement at the opening and the market subsequently ruled very steady with sellers demanding full rates for near shipment goods There is also more interest being shown in the forward positions Business is reported in $7\frac{1}{2}$ oz at Rs 16 4 January and in 11 porters at Rs 21-8 to Rs 21-14 January, Rs 21 8 Jan -March and Rs 21-4 Feb.-March

At 5 p.m quotations were —

| | Jan | Jan.-Mar. | Apl.-June |
|---|---|---|---|
| 9 Porters | Rs 16 12 | 16 8 | 15-12 |
| 11 Porters | Rs 21 14 | 21-10 | 20-10 |

HEAVY GOODS are also a steady market and premium rates are being paid for early shipment goods B Twills sold at Rs 36 to Rs 36-4 and Liverpool Twills at Rs 41 8 for January shipment

Quotations for January shipment are —B Twills Rs 36 4, Liverpool Twills Rs 41-12, Cornsacks Rs 38 8

*Questions* (1) Describe the tone of the Hessians and Heavy Goods markets respectively

(2) Explain fully the conditions of business in *futures*

(3) Draw out conclusions on the basis of the above quotations

*Exercise 8*

BOMBAY YARN EXCHANGE, LTD

Bombay, 15th October

There is nothing of outstanding interest to comment on with regard to trade in yarns, business in all sections having been conducted on the same lines as those referred to in the last report but with as lightly *weaker tendency* prevailing *Deliveries to the interior*, however, have been on a satisfactory scale and bazar selling rates have been maintained at the previous week's levels. The few fresh forward transactions that have been recorded chiefly concern *speciality lines* of indigenous spinnings required by local hosiery manufacturers

Since last reporting on the position no encouraging feature has developed in either the ready or forward positions, with the result that the *turnover* in all sections has been of meagre proportions. In consequence of the decline in cotton prices referred to above, *bona*

*fide* dealers have continued to remain aloof from serious negotiations, being content *to stand aside pending a more clear outlook*. It is not surprising, therefore, that very little *fresh enquiry has been in evidence*, leaving merchants few opportunities of transacting *bull business*.

With regard to the ready position, reports from the various consuming centres have not been encouraging and *offtake continues disappointingly small*. In the absence of any buying support bazar values have tended towards lower levels.

The following are the rates for daily hedge contracts —

| Yarn No | October | December | February |
|---|---|---|---|
| | Rs | Rs | Rs |
| 6½s | 201 | 202 | 203 |
| 10½s | 21 | 222 | 223 |
| 20½s | 333 | 327 | 324 |
| 40s. | 535 | 540 | 545 |

Quotations for 6½s, 10½s and 40s are nominal.

*Questions*: (1) Explain in simple language the italicized portions.

(2) Give an interpretation to the quotations given in the above report.

(3) Prepare a summary of the report in not more than 100 words.

*Exercise 4*

Bombay, 12th November

The Java sugar section disclosed a *steady but quiet tone* during the week under review. Enquiries from overseas markets were absent. In ready Java, the price was quoted at Rs. 15-4 to Rs. 15-6 per cwt.

*ex bond* nominally Stocks available for disposal having been scarce, *the activity in the market was dormant* Whatever business passed was either for settlement of previous contracts or for *inter-bazar sales for profit taking* Kathiawar ports showed some interest for *fixed shipments* from Java and a business of about 1,000 tons of Java sugar was reported *done for c i f Veraval at Rs 12 8 to Rs 12-10 per cwt* In forward trading, some improvement was noticed and August or September shipment was quoted at Rs 10 6 to Rs 10 8 per cwt f b h Ex bond delivery during December was quoted at Rs 13-8 per cwt and the same for delivery during January, 1942, was offered at Rs 13 4 per cwt Local stocks of Java sugar are estimated to be about 21 000 bags which are said to be in the hands of exporters Mozambique sugar in *bonded warehouses* is reported to be about 9 000 bags Following are the nominal quotations —*August September shipment* Rs 10 6 to Rs 10-8 per cwt f b h and ready Java for immediate delivery Rs 15 4 to Rs 15 6, Java for delivery during December Rs 13 8 to Rs 13 12, Java *for delivery during* January, Rs 13-4 and ready Mozambique sugar for immediate delivery Rs 13 8 per cwt ex bond

*Questions* (1) Explain fully the terms and phrases italicized

(2) The prices of Java sugar have a controlling influence on the price of Indian sugar Comment

(3) Describe the tone of the market

*Exercise 5*

Madras, 13th October

During the week, the hides market has *ruled firm* with arrivals only moderate and demand has been good, in particular recently from buyers who are supplying goods for Government contractors in this country Demand for this purpose is confined to the *higher selections* and is mostly for *heavy weights* Both these types, of course, are required by London,

but as the prices paid for the goods destined for use in India exceed the maximum prices allowed by the Hides Controller in London, shippers are at a disadvantage This anomalous position requires the attention of the authorities

The price of buffalo hides shows *a tendency to recede* from the high level recently reached as, although London requires this type of leather the Controller will not permit the local advance in prices to be supported in transactions on *shipment account*.

There has been a good enquiry from the United States for tanned goat skins, but the recent advance in prices in Madras is now checking business, and buyers in New York are *holding off*

*This also applies to dry salted goat skins for* which maximum prices have been fixed in New York The Madras market is still too high to allow of business at the *ceiling level* and until it comes down or prices in New York are raised, there will be no fresh business of any consequence

*The maximum price fixed for Cocanadas 170/80 lbs*, standard assortment was $5 with other weights at relative values

The shipping position shows improvement both to London and New York

*Questions* (1) Explain the italicized portions

(2) How are rates quoted in the Madras Exchange for different classes of hides and skins ?

(3) What is the influence on prices of *buyers holding off*

*Exercise 6*

Meerut, October 19.

*There was a gradual rise in 'arrivals' and a gradual fall in prices* of new *gur* in the local *gur* Mandi during the week under report The 'arrivals' consisted mostly of 2nd quality and other inferior quality of *gur* Imports of 1st quality were meagre, and whatever quantity was received in the market

found *ready customers* at Rs 4-13 a maund. The second quality prices opened at Rs 4 12 a maund and closed at Rs 4 5 thus recording a net fall of 7 annas a maund in the week Third quality prices opened at Rs 4-4 and recorded a decrease of 8 annas a maund

Imports on the opening day of the week were 600 maunds and about 100 maunds daily Nearly thereafter there was an increase of 5,800 maunds of *gur* roughly valuing at about Rs 26,000 which was imported into the Mandi during the week and was resold in a larger quantity, to the Punjab, particularly Montgomery side, and Sind Small quantities were also booked to the provinces of Gujarat, Marwar and to Dehra Dun Mandi *Loading* was closed for three days in the week, and consequently, Friday witnessed *heavy booking* of *gur*

It is estimated that since the new season has commenced only two weeks ago, nearly 10 000 maunds of *gur* valued at about Rs 42,600 has been exported from the local Mandi to various provinces.

## FORWARD MARKET

In the Forward market *Mangsir fluctuated within the range of 2 annas 8 pies per maund* and finally closed at Rs 3 8 registering thereby a depreciation of an anna a maund in the value prevailing at the close of the previous week Mah was quoted at Rs 3 4 *Present gur prices have belied all high hopes of gur dealers and manufacturers of gur fetching a very handsome price this season* It is particularly on account of the present easy prices that the future is showing signs of weakness

Old stock of *gur* in Kothas was the same as in the previous week, *i e*, about 10,000 maunds *Prices of this gur also fell in sympathy with the prices of new gur* The fall was from 8 annas to 12 annas a maund. The prices ranged between Rs 2 8 and Rs 2-12

The following prices of various kinds of *gur* were quoted at the close of the week

*1st quality* Rs. 4-13, *second* Rs 4-5; *third* Rs. 3-12, mixed Rs 4, Mangsir Rs. 3-8, and Mah Rs. 3-4, 'Shakkar' Rs. 3-8, 'Gindora' Rs. 3-8.

*Questions.* (1) Explain in simple language the italicized portions in the above report.

(2) Describe the tendency of the Forward Section

(3) Give a title to the report

*Exercise 7*

Calcutta, 3rd November.

Market conditions have continued very much the same as those reported in the previous week, and no material improvement in the volume of fresh forward transactions has developed There has, however, been a moderate flow of enquiry in evidence and quite a number of minor orders have been successfully negotiated in indigenous goods. The Bombay mills appear to have secured the bulk of the business during the period reviewed, though a certain amount of orders have been placed with other important producing centres in India The actual turnover would have been considerably large had it not been for the fact that many mills are not in a position to quote, being fully engaged on war work. Further, those mills who have a limited number of looms available have been compelled to quote for distant deliveries not acceptable to the average bazar dealer. Manufacturers generally have taken full advantage of the present favourable position by further increasing prices, and although the current level of replacement costs is much above bazar rates, prospective buyers have little scope for bargaining. The transactions referred to include a wide range of popular standards such as grey *shirtings*, *grey dhoties*, *white mulls*, white nainsooks, drills both bleached and dyed and several fancy sorts So far as the imported goods section is concerned, in the absence of quota allotments, the average importer of Lancashire goods is *not in a position to quote.* These merchants, how-

ever, who qualify for a quota, have experienced little difficulty in effecting sales, but the quantities involved have been in respect of retail lots Activity in regard to Japanese products has been entirely confined to sales of ready goods and as holdings have been considerably reduced, stockists have increased prices further

The ready position has exhibited a further all-round improvement, especially as regards cold weather styles such as blankets, shawls, flannelettes, and heavy coating cloths Limited supplies are largely responsible for the present high prices and as the manufacturing position is not likely to improve, anyhow, for some time to come, rates are expected to advance further

Although nothing of outstanding interest has taken place in the local yarn market with regard to fresh forward sales, the strong undertone has been well maintained. Deliveries to the various distributing centres have been on a large scale and bazar selling rates have registered a further all-round advance

*Questions* (1) Underline the words and phrases which you consider of technical nature, and explain them

(2) Make a summary of the first paragraph

(3) Explain fully the last paragraph of the report.

*Exercise 8*

Bombay, 15th October.

Earlier in the week, there was a hesitant tone in the Bombay Cloth Market as a result of various rumours It was rumoured that, with a view to making satisfactory arrangements for war orders, Government would introduce a sort of control over the textile industry There were, again, price control rumours. The downward trend in raw cotton was also a contributory cause, though this factor was subsequently discounted to a considerable extent.

On Wednesday it was definitely known, as a result of the deliberations in Bombay of the first meeting of the Millowners Panel of the Supply Department, that Government did not contemplate at present any control over the cotton mill industry and that satisfactory arrangements had been made for the execution of war orders on a voluntary basis This conclusion of the Panel which was anticipated even earlier, imparted a slightly firmer tone to the market It is not ex, pected in market circles that price control over piecegoods and yarn prices will be immediately introduced on the other hand, to meet the present situation, it is anticipated that arrangements would be made to increase production The approach of *Divali* also imparted some additional strength to the market

*Indian Cloth.*—Movement of these particularly greys, is slow. Prices have not shown any tendency to rise, though replacing prices were hardening 9lb 35in × 38yds Leopard cloth is quoted at about Re 1-1 6 per lb, though sales of well known makes are reported to have fetched Re 1-2 per lb Wider widths 40×40 s find slow movement at steady or easier rates. Dhoties are not so active, though sales are possible. In bleached lines sellers are not inclined to work at lower rates Fancies continue to find some support at improving rates in some lines Printed voiles and shirtings are cleared at slightly lower rates, though better cloths and printing have been steady

*Japanese Cloth*.—Clearances are moderate Prices generally are the basis of those ruling at the end of last week Bow and Arrow, 3800, Peach 44 in by 38 yds., Sepoy, and 5151 are quoted at Rs 16, Rs 18, Rs 14-8, Rs 18 and Rs 12-12 a piece respectively Bleached lines show some improvement Nos 800, 500 and 388 shirtings are quoted at Rs 20-12, Rs. 21-12, and Rs 20-8 respectively There have been no wide fluctuations in the speculative No. 16000, the price being Rs 22 a piece No. 8181 mulls are quoted at Rs 6-4 a piece Prints are steady on last week's basis, chocolate jeans

20×20 and 40×40 and Grape quality being quoted at Rs 11 12, Rs 11 8 and Rs 12-4 a piece respectively

*British Cloth*.—Wide fluctuations particularly in some bleached shirtings are reported C4000 Ram Murti, B B B shirtings due to decreasing stocks and some enquiry touched Rs 36, Rs 35 and Rs 30 respectively, Mulls 376 and 99999 (59 in × 19 yds) are quoted at Rs 7 10 and Rs 16, respectively These prices are uncertain and random sales may be possible at lower rates at any moment Printed lines are steady, G D 5 chocolate jeans being quoted at As 8 6 to as 8 6 a yard Fancies find some sales R52 satin duck fetches about Re 1 3 9 a yard, while Nos 130 and 150 twills are quoted at As 10 and As 9 8 a yard respectively

*Questions* (1) Make a list of all technical terms and phrases you come across and explain them fully

(2) Give a title describing the tone to each of the sections of the market.

(3) What would be the effect of Government control over the textile industry and trade?

(4) Explain fully the first two paragraphs of the above report

*Exercise 9*

Bombay, 5th November.

During the earlier part of the period under review, ready Java sugar experienced a setback Export permission to Iran having been withheld by the local Government the buying enthusiasm melted away The ex bond price therefore, registered a fall of about a rupee per cwt Stocks of Java sugar being scarce this fall in price was only nominal Later on some improvement was noticeable owing to enquiries from Basra, and a level of about Rs 15 12 for ex-bond delivery was nominally established Reports are current that a Conference steamer is expected to lift cargo shortly from Java against sales for shipments

during May and onwards Forward trading was restricted and much of the business done was for settlement of contracts Mozambique sugar was fairly in demand on account of scarcity of stocks and very high prices of ready Java New business for Mozambique sugar from Africa is reported not possible, there being no exportable surplus stocks there Local stocks of Java sugar are estimated to be about 15 000 bags a major portion of which is in the hands of exporters About 25 000 bags of Mozambique sugar are said to be in bonded warehouses Following are the nominal quotations —November December shipment Rs 0 4 per cwt F B H and Ready Java Rs 15 12 and ready Java December delivery Rs 13 per cwt ex bond

*Indian Sugar*—The Indian sugar section ruled steady during the earlier part of the week under review Later on, reports were current about unfavourable crop, conditions in Bengal The very conservative attitude adopted by the Deccan mills in selling their new crop sugar has given an impetus to the purchasing tendency of the market About 10,000 bags are reported sold of Kalamb mills only at price ranging from Rs 10-4 to Rs 10 8 per B M f o r. others being out of the field The northern mills, therefore, have benefited, securing orders from our market Better advices from Cownpore and Calcutta markets have helped to raise the price levels of various sugars which are now being quoted at premium over the Syndicate s levels Ready sugar as well as railway receipts are fetching premium over the current rates prevailing for ex mills delivery Speculative interests are reported to have entered the field once again They are reported making purchases in anticipation of better prices of Indian sugar when Government would buy Indian sugar for army requirements and for the Middle East countries Consumption demand has proved very satisfactory, and on an average, offtake of about 2,700 bags is reported per day Local stocks of Indian sugar are estimated to be about 100,000 bags Saraya has improved by about

As 3 per B M and sympathetic rise in other sugars was also recorded Following are the nominal quotations —Small grain sugars Rs 11 3 to Rs 11 7 and bold grain sugars Rs 11 9 to Rs 12-3 per B M ex Wadi Bunder

*Cawnpore*—The Central market at Cawnpore disclosed stronger undertone during the week Enquiries from Bombay Gujarat and Malabar continued to give their support Gola on the floors of the Exchange was last reported at Rs 9 9 6 and Rs 9 10 for January and April 1942 deliveries Unconfirmed reports were current in the market that the Government had bought and intended to buy in the near future considerable quantities of Indian sugar for export to Iran and Iraq for military purposes

*Questions* (1) Pick out the terms and phrases of technical nature and explain them fully

(2) Condense the Indian Sugar section report into a telegraphic message

(3) Explain fully the last paragraph

(4) Give a title to and make a *precis* of the above report

## CHAPTER X

# BULLION MARKET REPORTS & PROGRESSIVE EXERCISES

The Bullion Market is a section of the general Commodity Market Business is conducted on usual line but the commodity dealt in is precious metals e g gold and silver The Bullion market is highly centralized and limited in the operation of its business It is largely confined to expert bullion dealers and banking institutions This is due to the fact that apart from dealing in bullion for domestic use the operation of bullion transactions for trade and commercial purposes is beyond the skill and capacity of ordinary merchants The reasons are obvious The highly technical nature of bullion transference from one market to another or from one financial centre to another the high cost of freight insurance loss of interest risk etc involved which can be reduced to practical proportions only in the case of large shipments of precious metals the fact that as soon as the price of any foreign currency rises to a point at which a profit can be made by shipping bullion and selling the foreign currency so obtained the banks are the first to be aware of the state of the market and to seize the opportunity for making a profit "

The principal dealers in the Bullion Exchange are the bullion brokers and banks while those on the demand side comprise brokers and the Government The latter purchases precious metals for minting and also for international settlements through the agency of banks Precious metals are seldom purchased by merchants for remittance to their creditors in foreign countries Since gold is the universal standard of measurement *for debt settlement the bullion* market plays a very important part in international finance

On y a small business in gold is done on industrial a unt and for commercial or domestic purposes Most of the gold disposed of in the bullion market is t en by bullion dealers as an arbitrage operation (a dealing to make a profit from the difference in prices at two places) or bought by central banks for their reserves The reserves of central banks are depleted either by dome tic demands for extra cash, or by demand for g d for export purposes Abnormal condi o at the outbreak of a war or during a monetary crisis abroad, necessitate heavy withdrawals f go d at a moment s notice To ensure financial stability banks are forced to take measures to protect or rep enish their reser e against heavy and unex pected withdrawal of go d Therefore the one largest customer to go d in the bullion market is the central bank of a coun ry e g th Reserve Bank of India or the Bank of England.

Since the Reserve Bank of India, or the central bank of any country is the bankers bank, all movement in the gold supp ies of the country affect its reserve hence to pre erve its gold reserve or prevent it from becoming too large the bank has often to control the exchange rates which involves the manipulation of its discount rate Thus it will be seen that the inflow or outflow of go d has a direct bearing on the rate of ex hange in th money market, hence also the importance of this market in foreign finance This u timately has i repercussions on the rate of interest in the country with its inevitable reaction on trade and commerce in general

There are several bullion exchanges in India organized at Bombay Calcutta, Delhi, Amritsar and Benares The first two are the largest Bombay is the biggest future market for bullion in India, just as London enjoys the foremost position amongst the world markets to-day Both ready and forward business is transacted on the Indian exchanges and quotations are made in Rs as p per *tola* (997 4 fine) for gold and per 100 tolas (998 fine) for silver One tola

is equal to 180 grains troy In the London markets rates are quoted in £ s d per oz for gold and in pence per oz for silver while in the New York exchanges quotations are made in $ per oz of gold and in cents per oz of silver

*The Bombay Bullion Exchange Ltd* is administered by a Board of Directors and the merchants committee and business is transacted only by the members amongst themselves The rules for *forward transactions* in gold and sovereigns are as follows Business in gold is done for 250 tolas or any other amount which can be divided by 250 without leaving a remainder Transactions in gold are on the basis of 100 fineness Gold bars of 90 to 100 fineness and bearing the marks of recognised refiners brokers banks and assayers can be tendered in delivery against forward transactions in gold The seller has to give a bar weighing as much as he may have sold of 100 fineness and in case the weight of a gold bar is found more or less on the basis of fineness he shall have to adjust the difference for the deficit or excess in weight by paying or receiving money at the rate fixed by the Exchange for the day on which delivery was taken The following example will make this clear.—

| | | | | |
|---|---|---|---|---|
| Gold bar 1 000 tolas 99 fineness<br>i e 990 tolas of 100 fineness<br>Rate of Delivery Order 30 7 6<br>(Adjustment rate for surplus and shortage being one rupee less than the Delivery Order Rate=29 7 6<br>Value of 990 tolas at the rate of Rs 30 7 6 | Rs 30 164 | 1 | 0 |
| The adjustment rate on that day being Rs 29 7 6 the party taking delivery will have to give Rs 10 to the party giving delivery on account of deficit of 10 tolas in weight | Rs | 10 | 0 | 0 |
| Total | | 30 174 | 1 | 0 |

In case of a Delivery Order for 250 tolas 25 tolas of 100 fineness can be given at the time of delivery. The adjustment rate for such a surplus or shortage is fixed by a committee at 5 p m each day on the basis of assayer s reports for fineness certificates Bars of 100 to 94 fineness only will be taken and given in delivery at the rate of Delivery Order For bars between 94 to 90 fineness the payment will be made at a rate less by ½ anna per tola than the rate of Delivery Order Bars below 90 fineness will not be tenderable in forward settlements

Forward transactions in silver one bar will be considered as weighing 2 800 tolas Silver bars of 999 to 916 fineness and certified by recognized assayers can be tendered in delivery against forward transactions When the fineness of a bar is less than 996, the seller at the time of making up the account with the purchaser shall allow to the purchaser a reduction in proportion to the difference in fineness on the bars of actual fineness up to 1000 and in addition to that shall also allow for expense of refining the bar and other charges @ Rs 2 4 per 100 tolas out of the rate mentioned in the Delivery Order The Delivery Order shall begin from the day following the one on which the options have been declared and will be binding only after being agreed to by all the parties

A Delivery Order shall be addressed either to a Bank or an office or a merchant s shop Goods in respect of Delivery Orders shall be made at the place to which they are addressed

Transactions in sovereigns shall be for 250 sovereigns or any amount that can be divided by 250 without leaving a remainder

There is a monthly settlement at the Bombay Bullion Exchange But all forward settlements are previously agreed upon by the merchants in such a way as may be approvable by the Exchange Committee Usually the first settlement comes off one month after the transaction on a date previously

agreed upon the second settlement coming off two months after the date of the tran action and the third settlement in the third month and so on

INTERPRETATION OF MARKET QUOTATIONS

*Example 1*

DELHI BULLION MARKET DAY REPORT

| | |
|---|---|
| Go d Pa la Punch (100 | R. 4" 10 4" 14 Buyers |
| Gold Ra va Spot | Rs 4 4 4" 4 Steady |
| Sovereign | Rs. 33 13 Spot. |
| *Silver Bomoay (999)* | Rs "0-8 *Clo ed weak* |
| Silver Desi Ready | Rs 6 )-1 Quiet. |

*Comment* The above quotations of the Delhi Bul lion Exchange are for gold sovereigns and silver Rates for gold are quoted per tola for silver per 100 tola and for each sovereign in Rs a p The qualities of gol l and silver are determined on the ba i of fineness. P ti go d i 100 per cent. fine and duly certified by a avers R ir" go d is a mixture of varied pieces of go d received in the form of j ve lery pieces by deal rs from the public and me ted into one piece for sale in the bu lion n arket. Thi i usually of lower finen s S lver Bo nbay 999 i a certified bar of 999/1000 fine n s and i quoted in R as p per 100 tolas *Desi* silver is of lower fienne s and is uncertified by a recognized assayer

*Interpretation* Patla Punch gold of 100 fineness was so d at Rs 4" 10 per tola but the rate improved b y four annas per tola at the close of tl e n arket The price has increased on fair demand and at the close of the market there were more buyers than se lers and tl e tone was firm Rawa gol l was dea t in at Rs. 4"-4 at the opening and 47 4 at the clo ing The price of Rawa i lower than tl at of Patla because the former i of inferior and uncer if ed quali y Although the market was not bri k in thi section price were ma ntained at the close Th price of s v re gns for ready deliv ry is Rs 33 13 eacl

*Example 3*

## LONDON BULLION MARKET

London, February 7

*Gold—*

| | |
|---|---|
| Gold ... | £8-8 0 |

*Silver—*

| | |
|---|---|
| Silver Spot ... ... | (23-1/2d.) 23 1/2d. |
| Silver Forward | (23-9/16d.) 23 9/16d |

*New York Silver—*

| | |
|---|---|
| Silver New York . ... | 35½c |

Tone Firm. Moderate business

*Comment* The above quotations are taken from the London Bullion Exchange Weekly Report The rates on this Exchange are quoted in £ s d. per oz of gold and in pence per oz of silver The London Bullion Exchange also quotes rates of silver prevailing in the New York Exchange in cents per oz

*Interpretation* The rates for ready delivery of gold were £8-8-0 per oz In the case of silver both the opening and closing rates for spot delivery were the same *i.e.*, 23½ pence per oz but for forward delivery, the rates both at the opening and closing were 23-9/16d. per oz.

Two points are worth noticing in these quotations *first*, that the rates of silver at the opening and closing of the market, both in the case of ready and forward deliveries, were the same, and indicate no change in business conditions but show the maintenance of steady prices, *second*, that a rise in the forward rates for silver by 1/16d per oz over the ready rates is an unmistakable pointer to better business conditions and a higher tendency of prices in the future. Spot rates for New York silver are quoted originally at 35½ cents per oz for comparative study, and also to enable the arbitrage dealers to explore the possibilities of transacting their business

*of one anna per tola for this delivery over June*[3] being *reversed to one anna per tola discount*[4]

—*I Com Rajputana*

*Comment* This is an extract from the Bombay Bullion Market Weekly Report. The reporter describes the condition of the market in regard to *futures* business, and the reaction of considerable speculative activity on the trend of prices Before giving an explanation of this excerpt, it is necessary to understand fully the significance of the terms and phrases (italicized) which are of a technical nature

1 The sale of stock held by bulls at the current rate of prices in view of a falling tendency

2 Forward contract, for delivery in the month of May It should be noted that the bulls liquidated their stock which was for May Settlement.

3 The price of gold for May Settlement, before bull liquidation, was one anna per tola higher than the rate quoted for June Settlement

4 On account of bull liquidation the market conditions were reversed, that is the upward movement of prices reacted into a downward tendency, consequently the rate for May Settlement, which up till now was quoted at one anna higher than June, came down by one anna below the June Settlement

*Explanation* The above passage, taken from the Bombay Bullion Market Report, indicates a downward tendency of prices in forward transactions A notable feature of this week's business in the gold market, observes the reporter, is that the bull speculators, having failed in their expectations of a rise in price, are immediately disposing of their stocks at the present prices, lest the price should fall further and they suffer a greater loss than hithertofore This unloading was done in the case of stock for May Settlement or for delivery in May. It should be noted that the price of gold for May Settlement, which was held by bull operators before liquidation, was one anna higher

per tola over June Settlement The result of bull liquidation was that a large supply of gold was put for sale in the market and the prices declined Consequently, the rate for May Settlement fell below the rate for June Settlement, i e., *whereas the former rate, which was quoted at one anna per tola higher over June is now being quoted one anna per tola lower than the latter* An example will make it clear Suppose the May price was Rs 40 10 per tola and the June one Rs 40 9 before the bulls unloaded their stock. After the unloading operation, the rates for May were Rs 40-8 and for June as before, i e, Rs 40 9 That is, the May rate fell by 2 annas per tola on account of bull liquidation

*Original 3*

The gold market was *firm*[1] with a fair amount of business transacted for *ready*[2] and *forward*[3] delivery This is due to lower *New York—London cross rate*[4] and purchases by banks for export

—*I Com, U P*

*Comment* This extract from the Bombay Bullion Market Report represents the tone of the market and points out the factors which are responsible for this fine state of affairs In explaining the above passage, the student should take special notice of the italicized expressions —

1 An upward tendency of prices due to good demand, and therefore a brighter outlook for the dealers 2 Goods for immediate or spot delivery 3 Goods for future delivery 4 The rate of exchange between New York and London currencies quoted on the Bombay Exchange The rate of exchange between dollar and sterling, as seen from the point of view of a third country, say India, was low, and it stimulated a demand for gold in America resulting in an increase in its price In sympathy with the American, the Indian gold market also showed an upward tendency (The student should understand the effect of a movement in foreign exchange rates on

the gold market. New York quotes the exchange rate in its own currency, that is an amount of dollars for one unit of English Currency, say £1. The par of exchange is \$ 4.86⅔ to £1. If the rate is low, the rate is favourable to American debtors, because for every £1 sterling they owe they will pay less of their currency in settlement, and the rate is unfavourable to the English creditor, because for every £1 he owns in America, he will receive fewer dollars. On the one hand, the American Bankers will benefit by a lower rate, because they will purchase sterling in America at a lower rate (a lower price in terms of dollars) for claims in London. For these purchases, they will require gold. Thus the demand for gold will increase in America, the price of gold will rise, and the New York Bullion Market will become firm. On the other hand a bank in India may advise its agent in America to purchase sterling when the dollar sterling cross rate is low in New York, and remit gold for this transaction. Thus a demand for gold will be created in the Indian market, the heavy purchases of gold by bankers in India will force up the price, and the Indian gold market will also display a firm tone.

*Explanation.* This passage is taken from the Bombay Bullion Market Report. The general state of the Gold Market is reported favourable in view of a fair amount of business done both for ready and forward deliveries, and a high level of prices prevailing during the course of the week. The reporter gives two causes for the upward tendency and the cheerful outlook of the Bombay Gold Market: *first*, that it was due to a lower New York-London cross rate, increasing the demand for gold in America and forcing up its price, and consequently a sympathetic rise in the price of gold in India; *second*, that the bankers in India showed a keen demand for gold for remittance to their agents in America, which helped to increase the price of gold. Briefly stated, there is a good demand for gold in the Bombay Bullion Market,

the prices are high, and the future prospects of business are good

EXERCISES WITH HINTS FOR EXPLANATION

*Exercise 1*

## CAWNPORE BULLION MARKET

Silver *opened steady*[1] at Rs 62 14 and Rs 62-15 Trading was moderately active on *scattered local enquiry*,[2] but demand was not *aggressive*[3] enough to cause any *material rise*[4]. Later the market was inclined to be a *a shade quiet*[5] Forward business *closed easy*[6] The closing rates were 62-13 for spot and 62 12 for February settlement

*Hints* 1 When the silver section of the Cawnpore Bullion Market opened on Monday, there was no change in prices over last week's, nor was there any likelihood of a change in the immediate future

2 Small-scale business done by local traders, that is, business was done in small odd lots by local customers

3 Strong effective demand, which is indicated by heavy purchases

4 A substantial rise in prices to make the market optimistic

5 The tendency for prices to decline by a slight or narrow margin

6 When the market closed business on Saturday, the tendency of prices was downward and the market displayed a bearish tone

*Questions* (1) Describe the tone of the market at the opening and closing of the week

(2) Explain fully the above passage in plain language

*Exercise 2*

## DELHI BULLION MARKET

Steady conditions continued to prevail in the gold market, particularly as a result of *squaring up operations*[1] by dealers in connection with the *current settle-*

*ment*[2] Ready gold advanced from the opening rate of Rs 46 11-6 to Rs 47-3 on Saturday, and fluctuated, between Rs 47-0 and Rs 47-5 6 till the close February settlement gold, which was quoted at a discount of 3 to 4 annas at the start, *stood even with spot*[3] while gold to be delivered in March settlement was quoted 4 annas under Sovereigns were quoted around Rs 33 4 *Floating stocks*[4] of gold are estimated to be about 2 00 000 tolas, arrivals from up-country are said to have averaged about 8,000 tolas a day while the average daily *off take*[5] is put at 6,000 tolas The highest and lowest rates recorded were Rs 47 5-6 and Rs 46-11 for spot, Rs 47 5 and Rs 46-9 6 for February and Rs 47 1 6 and Rs 46-9 for March settlements

*Hints* 1 The settlement of accounts by paying up differences

2 Delivery to be made during the month, or the clearance of accounts that fall due during the current month

3 On the same level of prices, that is, the rate for February settlement was equal to spot rate

4. Total supply placed in the market for sale, or saleable stock of gold

5 Purchases made on the market day, which show the demand side of the market

*Questions* (1) Describe briefly how settlement operations are made on the Bullion Exchange

(2) Give reasons for the fluctuation of prices in ready and forward sections respectively

(3) Explain the above passage by recasting the original for a general reader

*Exercise 3*

## BOMBAY BULLION MARKET

The silver section experienced comparatively *steadier conditions*[1], although early in the week *prices*

*tended to harden a little*[2] in sympathy with the firmer tone of the gold market On the opening day, *spot silver touched a high level of Rs 63 1*[3] As the Reserve Bank usually used to sell silver at about this price, the market approached the Bank with buying orders It is reported that the Bank sold a small lot estimated at 200 to 300 bars During the major part of the week, prices of silver *moved within a narrow range of As 1½*[4] The closing tone of silver was one of *steadiness*[5] the rates being Rs 63 ready Rs 62-14 1st settlement and Rs. 62 14 2nd settlement As compared with the rates prevailing a week ago, these reveal practically no change

Floating stocks in the market are estimated at 3 500 bars

In the London market, the rate for both spot and forward silver *remained pegged at 23¾d*[6].

*Hints* 1 There was no change, *i e*, there was a tendency for prices to maintain their level

2 Prices began to rise by a slight margin.

3 The price of silver for ready delivery had reached a high level of Rs 63-1 per bar of 100 tolas.

4 The change in price was very little, *i e*, the price fluctuated within a limit of 0-1-6 per bar *either way*

5 A tendency to maintain prices at the original level

6 Prices remained steady, *i e*, there was no change in prices, and the original rate of 23¾*d*. per oz was maintained

*Questions* (1) Describe the general tone of the market

(2) Why were there no marked fluctuations in the prices of silver both in the Bombay and London Bullion markets ?

(3) Explain fully the first paragraph of the above report to a layman.

*Exercise 4*

## AMRITSAR BULLION MARKET

In the absence of any interesting reports *to stimulate speculative enthusiasm*[1] trading in the Amritsar Bullion Exchange was of *colourless character*[2] In fact, enquiries either for forward or for spot were so meagre that *time hung heavily on the hands of operators*[3] At the close however, some nervousness was displayed following upon events in the Far East, and owing to *pressure of sales*[4] the dealers held aloof and pursued their usual policy of *waiting for the bottom*,[5] instead of *buying down the market*[6].

The gold section opened weak at Rs 42 2 3, the rate being a little over January Settlement Speculators remained idle and Exchange Banks were unable *to extend any support*,[7] with the result that *values hardly moved*[8] In the silver section prices remained irregular, *and the absence of speculative interest is indicated by the fact that the first and second settlements were quoted at par with ready*[9] Silver Desi (spot) closed at Rs 70 4 with large up country arrivals *making their way*[10]

*Hints* 1 To give rise to considerable speculative business

2 Featureless, or without much business activity

3 It was difficult for dealers to dispose of their stocks, that is, the dealers were tired of waiting indefinitely for better prices

4 A large supply, which further reduced the prices

5 Waiting for the lowest price

6 Making purchases at a time when the tendency of prices is low

7 To make purchases, *i.e.* there was no demand from the Exchange Banks

8 There was no rise in prices

9 The rates for future deliveries (after one and two months respectively) were quoted at par (equal to or on the same level) with the rates for ready delivery, which indicates a dull forward business

10. There was a good supply of precious metals from up-country markets, which swelled the stocks in the Cawnpore market and resulted in a further fall in prices

*Questions* (1) Give reasons for the bearish sentiment prevailing in the market

(2) What part is played by Exchange Banks in affecting the course of prices on the bullion exchange?

(3) Explain fully the first or the second paragraph of the above report and give a title to it.

*Exercise 5*

## CALCUTTA BULLION MARKET

Calcutta, 8th November

A *sharp rise*[1] characterized the local gold market, for which it derived inspiration and guidance from Bombay. The war news from the Russian front and the possibilities of Japan's entry into war made Bombay speculators and dealers *heavily bullish*[2]. Consequently, prices in the local market *soared in sympathy with Bombay*[3] to as high as Rs. 44 and Rs 29- 0-6, from last week's level of Rs 42-6 and Rs 28-10, but later on *receded*[4] to Rs. 43-14 and Rs 29-9, as quoted to-day, for gold and sovereign respectively.

In spite of heavy rise in the local gold market and steadier tone of other commodities, *the silver section of the market has remained almost unaffected*[5] during the week Prices of the metal have slightly improved from Rs 62-14 to Rs 63, as quoted to day, for first settlement, while the rate for *ready is quoted at a premium over first settlement*[6] and stands to-day at Rs 63-2. Stocks are estimated at about 2,000 bars with *a daily average offtake of about 15 bars*[7].

*Hints*. 1. Considerable rise in prices

2 A predominantly bullish atmosphere When the dealers and speculators are all inclined to feel that prices would only rise and a fall under the circumstances is inconceivable

3 Prices rose suddenly in the Calcutta market to keep level with the high prices prevailing at Bombay

4 Declined the prices fell down from the high level reached to the originally low level

5 There has been no change in the prices of silver as a result of price movements in the gold section of the same market

6 The rates for ready delivery are higher than for the first settlement (i e, delivery after one month)

7 The average demand (or purchases made by speculators) comes to about 15 bars per day

*Questions* (1) Account for the sharp rise in the local gold market

(2) Explain and illustrate a sympathetic rise in prices of the same commodity or different commodities in different markets

(3) Rewrite the two passages of the above report separately in simple non technical language, and give titles to each

## ADVANCED EXERCISES WITH GUIDE QUESTIONS

*Exercise 1*

Calcutta 1st November

Early in the week, the local gold market *ruled quiet* and prices of the metal declined slightly from Rs 4' 4 to Rs 42-3 but since mid week a *steadier tone has been in evidence* due to some retail demand and also owing to enquiries by local banks Thus prices of the metal and coin have both advanced from Rs 42 3 and Rs 28 8 6 to Rs 4° 6 and Rs 28 10, as quoted to-day, respectively

In the absence of demand for the metal, coupled with accumulation of stocks in the local market due to arrivals of some Australian silver bars, the market has been quieter during the week under review. The speculators, too, are less interested in operating and are rather *watching the turn of the political situation.* Prices of the metal have declined from Rs 63 to Rs 62-13, as quoted today, for *first settlement*, and that for ready are *quoted at a premium* of about two annas over first settlement, thus standing today at Rs 62-15. Stocks have increased to about 2,000 bars and the daily average offtake remains the same about 15 bars.

*Questions* (1) Explain fully the phrases in italics.

(2) Describe the factors which steadied the gold market.

(3) Estimate the influence of the political situation on the Bullion Market.

*Exercise 2*

Calcutta, 25th December

The silver section of the market was dull and uninteresting throughout the week. Neither sellers nor buyers were in a mood to take active part and consequently, *price variations were confined to narrow margins.* The market opened on the 9th inst at Rs 62-15 and on *scattered covering* improved to Rs 63. On the 10th inst, *activity was at a low ebb* and from the 11th, the market definitely showed signs of weakness, which was due to *bearish sentiment* prevailing in the cotton and commodity markets. There was *general selling* on that day, as a result of which the rate touched Rs 62-11 at one time for November settlement. During the week end, the market continued weak and presented a dull and *colourless appearance.* On the whole, when compared to last week, there was a net loss of one anna for ready position and As 2 each for 1st and 2nd settlements. The closing rates were Rs 62-13-6 ready, Rs 62-12 6 1st settlement and Rs 62-12-6 2nd settlement, as against Rs. 62-14 6 for the three positions of last week.

*Floating stocks* were roughly estimated at 5 000 bars, which shows a decline of 500 bars over that of last week.

In the London market the rates were unchanged at $23\frac{1}{2}d$ for spot and 23 7/16*d* for forward.

*Questions* (1) Explain as clearly as you can the portions italicized in the above report

(2) Describe the sentiment of the market and give reasons for it

(3) Give a title to the above report

*Exercise 8*

## BULLION PRICES

**London—**

*Gold*—Spot per oz 168/ Silver—Spot per oz. $23\frac{1}{2}$d Do Forward (2 months) 23 9/16d

*Tone of the Silver Market*—Steady Small trade—demand officially satisfied

**Bombay—**

*Sovereign*—Rs 32 8 (nominal)

*Gold*—Ready opened at Rs 46 12 closed at Rs 46 14, first settlement opened at Rs 46 6 closed at Rs 46 8 Steady Teji mandi Re 0 14 0

*Silver*—Ready opened at Rs 69 15 closed at Rs 70-6 first settlement opened Rs 64 15 Steady Teji mandi Re 0 14 0

**Calcutta—**

Gold Bar per tollah Rs 46 13 0 Boral Bar per tollah Rs 46 12-0 Sovereign Rs 32 12 0 Silver Bar full per 100 tollahs Rs 70 4-0 do portion full per 100 tollahs Rs 70 8 0

**Amritsar—**

English Bar Gold —Opening rate Rs 49 4 closing rate Rs 49 8 Gold Contracts opening rate Rs 49-4, closing rate Rs 49 8 Desi Gold opening rate Rs 48 8, closing rate Rs 48 12

Sovereigns—Opening rate Rs 32-0 closing rate Rs 31 5.

English Bar Silver—Opening rate Rs 69 2, closing rate Rs 70. Silver Ready opening rate Rs 69 ' Closing rate Rs 70 Silver Contract Magh, opening rate Rs 68 12 closing rate Rs 69 6 Desi Silver opening rate Rs 67 12 closing rate Rs 68 Thobi Silver opening rate Rs 65 8 closing rate Rs 66

*Questions* (1) Give an interpretation in simple language of the quotations in each of the above markets.

(2) Point out the difference in the prices of gold and silver in different markets and give reasons for it

(3) What conclusions do you draw from a study of ready and forward rates about the tone of the market?

*Exercise 4*

Bombay, 12th November

In the gold section of the Bombay Bullion Exchange, the *speculative fervour* noted last week continued during the first few days of the week under report There were fairly *wide and frequent variations* in prices, as operators chose *to book their profits* as and when there was a decent rise in rates In the latter half of the week, the market exhibited a comparatively quiet attitude, with a downward tendency in prices, which at the time of writing were some four annas lower than those prevailing a week ago *Such a development clearly points to the slippery ground on which prices went up in recent days*

It may be noted here that the closing rate of Rs 43 6 9 for spot gold, while being substantially lower than the high level recorded early in the week, is more than a rupee above the level at which material support may be expected Daily offtake has considerably fallen, while arrivals have been on the increase. All available indications suggest that *the speculative force, which was responsible for the recent rise, has*

*practically spent itself* In view of these factors, it will not be surprising if the value of gold finds its normal level in the course of the next few days

*Questions* (1) Explain the italicized portions

(2) Give the substance of the above report in simple non technical language

(3) Give a suitable title and a sub-title to the report to indicate the tone and future prospects of business

*Exercise 5*

GOLD PRICES

| Centre | | Spot | | Forward | |
|---|---|---|---|---|---|
| | | 5th Nov 1941 | 29th Oct 1941 | 5th Nov 1941 | 29th Oct 1941 |
| Bombay | Rs. | 43 10-0 | 42 3 3 | 43-10-6<br>43 10-0 | 42 3-6<br>42 3 4½ |
| London | | 8 8 0 | 8-8-0 | | .. |

SILVER PRICES

| Centre | | Spot | | Forward* | |
|---|---|---|---|---|---|
| | | 5th Nov., 1941 | 29th Oct. 1941 | 5th Nov 1941 | 29th Oct 1941 |
| Bombay | Rs | 63 2-0 | 63 1 6 | 63-0 0<br>62 15 0 | 62 14-6<br>62 13 6 |
| London | d | 23½ | 23½ | 23½ | 23½ |
| New York | cs | 34¾ | 34¾ | ... | ... |

*1st and 2nd settlement.

—*Commerce*

*Questions* (1) Give an interpretation to the above quotations

(2) What conclusions do you draw from a study of the variations in spot and forward rates in gold and silver sections ?

(3) What is settlement ? Describe the rules for settlement on the Bombay Bullion Exchange

*Exercise 6*

Bombay, 15th October

Trading conditions in the Bombay Bullion Exchange, although very much restricted, were somewhat better than those of last week The silver section of the Exchange continued dull and uninteresting in the absence of any stimulating news In the gold section, however, there was a noticeable sign of improved activity, albeit short-lived This was presumably due to the unfavourable war news from the Russian front and the consequent belief among speculators that there might be a rise in the price of gold as was witnessed before the collapse of France This seems to explain why they began to apply *teji* option which resulted in a rise of about As 2 for first settlement on the 19th inst. This was a very short-lived affair, and with the weakness of raw cotton and commodity markets, sentiment became bearish towards the week-end, and the market closed with a negligible rise of three pies for the first and second settlements over the last week's quotations

The November settlement for gold opened quiet at Rs 42 3 on the 9th inst, and, with the news of the rapid advance of the Germans on the Moscow front, operators began to apply *teji* options with the result that the rate advanced to Rs 42-3 9. On the 10th inst, also, there were reported *teji* applications and the market displayed a steady tendency and the highest rate touched on that day were Rs 42-4-6 1st settlement and Rs. 42 4 9 2nd settlement On the 11th, the market opened steady, but owing to realizations and

weakness of raw cotton and commodity markets, the rates could not be maintained and closed weak at Rs. 42-2-9 and Rs. 42-3-3, although November touched Rs. 42-2-3 at one time on the day. The latter part of the week was uneventful and, in the absence of enquiry, fluctuations were narrow. The quotations at the time of writing (2-35 p.m.) were Rs. 42-2-5 ready, Rs. 42-3 1st settlement and Rs. 42-3-6 2nd settlement, which compare with the last week's closing rates of Rs. 42-2-6, Rs. 42-2-9 and Rs. 42-3-3 for similar positions.

The floating stocks in the market show an increase of 25,000 tolas to 150,000 tolas, when compared to last week. Daily arrivals were the same at 3,000 tolas, but the offtake shows an increase of 1,000 tolas over last week to 4,000 tolas.

*Questions.* (1) Mark out the technical terms and phrases in the above report and explain them.

(2) Describe the sentiment of the market at different stages of business period.

(3) What is *teji* option? Illustrate its working in bullion transactions.

*Exercise 7*

London, 28 November

The coinage demand for silver in the last few months has been fairly consistent and certainly greater than the amount which could have been accommodated by the arrival of newly mined silver in the London market, writes the *Economist*. These imports consist in the main of Australian silver and have been about sufficient to cover the commercial and industrial demand for silver, which now makes up the sum total of the turnover in the silver market. The coinage demand, of which a considerable part has been for the minting of Maria Theresa thaler, has been satisfied direct by sales from Indian Government stocks.

These sales are now handled by the Bank of Eng-

up-country centres in the course of the last ten days, coupled with a large shipment of gold to New York has practically denuded the market of the available stock of gold This factor, together with the growing tension in the Far East and deterioration in the war situation on the Russian front, induced option dealers to cover their positions as a precautionary measure When this caused a rise of a few annas in the price of gold, bulls entered the market with open purchases stimulated by various fantastic rumours Thus, what at first appeared to be a technical rally turned out to be a strong speculative movement resulting in a substantial rise in prices in the second half of the week. The extent of speculative activity will be easily appreciated from the fact that the spot gold closed the week with a notable gain of Re 1-7 0 A few hours before the close the gain was as high as Re 1-10 0

The silver section, after remaining dull during the major part of the week, experienced a fractional rise in prices as the week drew to a close, in sympathy with the upward trend of gold and raw cotton However, compared with the rise in the value of gold, the improvement in the rates for silver pales into insignificance

To explain the rise in the price of gold, one must go back and trace the position of the market weeks ago In those days, when the price of gold was stationary around Rs 42-1 and when stocks stood at a fairly high level, a group of operators had, it is said, accepted a large volume of opton business, bringing about thereby a material change in the technical position of the market Much against the anticipation of these operators, there arose, in the subsequent days, a keen export demand followed by widening enquiries for sovereigns Arrivals also slackened The result of these factors was a rapid depletion of the floating stocks which at one time appeared to be very high Prices in consequence recorded a small and gradual advance As prices increased, the operators' position

became short and they had perforce to cover The covering operations began early in the week when spot gold was quoted at Rs 42-3 9 (on 30th October), as against the previous closing of Rs 42-3 As these operations assumed a large size, the rates rapidly improved Spot gold touched Rs 42-7 6 on the morning of the 3rd inst At this level, bulls, looking at the plight of the operators who had gone short, and induced by the deterioration in the political situation, plunged into the market General buying ensued, and by the 3rd evening, spot gold touched a high level of Rs 42-13. After a temporary break caused by profit-taking by those who called up their option purchases, prices again shot up on active speculative buying, with spot gold recording a high level of Rs 43 13 3 At this level, buyers became less active and prices declined a little on scattered realising operations The closing rates were Rs 43 10 ready, Rs 43 10-6 1st settlement and Rs. 43-10 2nd settlement The closing rates of last week for the corresponding positions were Rs 42-3, Rs 42-3-6 and Rs. 43- -6, respectively

Floating stocks of gold are estimated at 75,000 tolas, which compares with 175,000 tolas a week ago and 250,000 tolas a fortnight ago Arrivals are said to have been around 5,000 tolas per day, while daily offtake, including gold surrendered to the Reserve Bank in exchange for sovereigns, seems to have been about 15,000 tolas

*Questions* (1) Underline the terms and phrases which are of technical nature and explain them

(2) Give reasons for the sudden outburst of speculative activity on the Exchange

(3) Explain fully the first para of the above report

(4) Make a precis of, and give a suitable title and two sub-titles to, the above report.

CHAPTER XI

# MONEY MARKET REPORTS AND PROGRESSIVE EXERCISES

The money market is an organized institution for the purchase and sale of money. The trade is not confined to the commodity money, but it includes also its representative—credit. The sellers of money are called lenders, and the purchasers borrowers. It is, strictly speaking, the use of money that is bought or sold. The price at which this right of use is transferred is known as *interest*.

The money market represents that section of the Capital Market which is concerned chiefly with short-term financing. Trade in money, therefore, is for short duration, that is, borrowing and lending are restricted to short periods only, usually not more than twelve months, because money is traded to meet the capital requirements of current projects of business enterprise.

Business on the money market, like the rest of the markets, is transacted on the basis of competition between buyers and sellers of money. In this battle of wits between the sellers (lenders) on the one hand and the buyers (borrowers) on other an equilibrium of price (rate of interest) is reached at which the use of money changes hands. If there are more lenders than borrowers, that is, there is an excess of supply over demand, the rate of interest is low. If the demand for money exceeds the supply, the rate of interest is high. Money borrowed at a higher rate of interest is supposed to be *dear*, and at a lower rate, *cheap*. On the other hand, when money is available in plenty at cheap rates, the money market is said to

be *easy*, but when money is scarce and can be borrowed at dear rates the market is said to be *tight*

More Demand than supply → High rate of interest → Money is Dear → Money Market Tight

More Supply than Demand → Low rate of interest → Money is Cheap → Money Market Easy

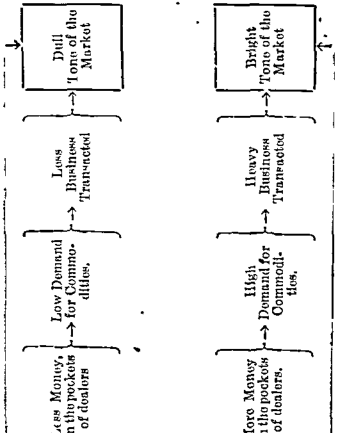
The persons and institutions constituting the money market are varied and many On the lenders side are bankers and other financing agencies including indigenous mahajans, while on the borrowers side there are the bill brokers stock exchange operators, industrialists, traders and entrepreneurs The pivot of the money market is the country's apex bank, *i.e.*, the Reserve Bank in India and the Bank of England in Great Britain The Reserve Bank of India exerts a great influence on the conditions prevailing in the money markets of the country. It is considered to be a bankers bank and stands to coordinate the credit, currency and exchange in India. It a so links up the Government with joint stock banks and performs all functions in connection with money and currency on behalf of the Government of India. Next in importance are the joint stock banks, which act as a link between the public and the Reserve Bank These banks finance the internal trade of the country by lending their surplus funds for short periods, frequently *overnight* and *at call* and at low rates of interest. Their disposable funds are derived from the floating balance of the deposits received from the public The indigenous bankers and financiers constitute the most valuable and indispensable section of the money market in India. They act as middlemen between the borrowers and the joint stock banks, and supply capital principally to the agriculturists, cottage artisans and local traders

The principal money markets of India are localized in Bombay and Calcutta, whilst the smaller ones are

spread all over the country Particularly at Amritsar, Benares, Ahmedabad, Cawnpore, Delhi Karachi, Madras, Nagpur, Lahore and Rangoon It should be noted that the money market of India, as it is today, suffers from serious drawbacks In the strict economic sense there is no money market in the country on a centralized and national basis On account of its loose organization, the Indian money market suffers from lack of coordination between the various constituents Consequently a wide divergence, between the different money rates (i e, the call rate, the bazar rate and the *hundi* rate, exists simultaneously in different financial centres all over the country. Unlike the case in the London money market, the Bank Rate in India does not regulate all other rates in the money market, and, therefore, is not an index to the monetary conditions of the country

The Indian money market also suffers from seasonal stringency There are wide fluctuations in money rates from one part of the year to the other This is due to the abnormal demand for money in busy seasons and the absence of it during off seasons The variations in money rates are thus determined and controlled by the nature of harvests and the prices of staple commodities for export It has been found that money rates are very high in the busy agricultural season which lasts from October to April, whilst the demand for money dwindles during the dull season from May to September

Thus it will be seen that in busy seasons there is a paucity of loanable funds, the market is tight and the rate of interest unbearably high, while a plethora of unlendable funds during off seasons gluts the market, making it easy, and the rate of interest is exceedingly low Extreme conditions of both types are detrimental to normal industrial and commercial operations, and have a serious repercussion on business conditions in the commodity markets of the country in general —


Tight Money Market.
Less Money in the pockets of dealers
Low Demand for Commodities.
Less Business Transacted
Dull Tone of the Market
Easy Money Market
More Money in the pockets of dealers.
High Demand for Commodities.
Heavy Business Transacted
Bright Tone of the Market

## MONEY MARKET TERMINOLOGY

*Money Rate* It is the rate of interest charged by lenders for the use of money for shorter periods. This rate varies both according to the nature of the loan and the existing conditions of the market This is a general term used in the market to indicate the tendency of rates during a specified period It is also known as Loan Rate or Borrowers' Rate

*Deposit Rate* It is the rate of interest paid by bankers on the deposit balances of their customers The rate varies with the period for which deposits are left with banks This rate is usually lower than the rate charged by banks for lending money on the security of first class bills of exchange (Bankers Discount Rate) the difference being the bankers profit There is no rate for current deposits

*Overnight Rate* It is the rate of interest charged by banks for lending money overnight, usually for twenty four hours The loan for which the rate is charged is known as Overnight Accommodation, or Interest Day to Day Loan The loan is repayable the next day at the option and convenience of the lender The Overnight Rate or the Day to Day Rate is usually the lowest rate prevailing in the market

*Bankers Call Rate* is charged by bankers for loans to the members of the market *at call* A *call* is usually made after 24 hours and a Call Rate may be higher than Overnight Rate The loans for which this rate is charged are variously known as Short Accommodation Inter Bank Call Money, Call Money and Money at Call and at Short Notice Since the loan is repayable at short notice (between one to six days) at the option of the borrower or lender the Call Rate is usually low

*Seven Day Rate* is charged for lending money over short periods and the loan becomes repayable at seven days notice The Seven Day Loan is also called Short Credit or Short Loan This rate is usually higher than the Overnight or the Call rate

The student should note that the three types of loans, *i e.*, Overnight, Call, and Seven Day, are usually included under one head *Money at Call and Short Notice* "This item represents a proportion of the surplus cash of the banker, lent to members of the money market, at a low rate of interest, on demand or subject to a period of notice up to seven days and against the security of what are known as '*floaters*,' *i e*, parcels of first class bills of exchange or Government securities"

*Market Rate.* It is the rate of interest charged by lenders (members of the money market other than banks) for lending money on the security of small traders bills and *hundis* This is also known as Bazar Rate or Bill Brokers Discount Rate, and is usually higher than Short and Call Rates, generally the highest prevailing in the market.

*Bankers' Discount Rate.* The rate of discount charged by exchange banks for purchasing bills of Exchange, usually three months bills, is known as the Discount Rate. This rate depends on the period for which the bill has to run before maturity. The longer the period, the higher the discount. But it is usually lower than the Market or Bazar Rate. The difference between the Bankers' Discount Rate and Bazar Rate constitutes the Bill Brokers' profit. The rate at which the bank is prepared to discount and rediscount first class indigenous bills (*Hundis*) of 61 days' date, is known as the *Hundi* Rate.

*Bank Rate.* It is the rate of interest charged by the Reserve Bank of India for advancing loans on the security of first-class three months' bills of exchange or Government securities. This is the lowest rate at which joint stock banks can re-discount the bills on hand, and therefore the Bank Rate is lower than the Discount Rate. The Bank Rate usually controls and regulates all money rates in the market.

*A Bill Broker* is a commission agent who acts as an intermediary in the Money Market He keeps in touch

with those having bills to sell, (*i e*, merchants and bankers), and those who want to buy (bankers and traders), and arranges the sale of bills between the two parties in return for his brokerage A bill broker also deals in bills He buys bills outright and sells them whenever he can make a profit through a change in discount rate He finances himself principally with funds borrowed from banks, and therefore usually his discounting rate is higher than the bank s When the business of bill brokers establishes itself on a large scale, it is consolidated and is known as a *Discount House*

*Floaters* The banks usually advance money *at call* or *at short notice* to bill brokers to finance their business These short term loans are lent against the security of parcels of first class bills or gilt edged securities known as *floaters*

*Ways & Means Advances* The Government of India generally borrows from the Reserve Bank of India for short periods for meeting currènt and over head expenditure These temporary loans are called Ways & Means Advances

*Time Money* These are loans granted to Discount Houses and bankers or bill brokers by banks for a specified period not exceeding three months

*Bank Return* is a weekly publication of the return of the assets and liabilities of the Reserve Bank of India, showing separately the position of the Issue and Banking Departments, to clearly indicate the financial and monetary conditions in the money market This statement is called the barometer of the money market

*Inflation* "When the supply of money is deli berately increased beyond the normal requirements of the community, there is said to be an inflation of currency Artificial inflation brings about a fall in the value of money and a general rise in the price of commodities It benefits the producing classes The effect of rising prices is that business confidence is

stimulated, there is a rapid increase in productive activity, and conditions are said to be good for trade Inflation is beneficial also to debtors, since they can pay back money when it is cheap while they had borrowed it when it was dear, and the Government, the biggest debtor of public loans, benefits the most Inflation is usually done to provide funds to the Government in emergencies.

*Deflation* "When the supply of money relatively to the demand decreases to such an extent that prices in general fall, there is said to be a contraction or deflation of currency" This implies a rise in the value of money, and thereby injures the debtors who, in repaying the same amount of money that they had borrowed, return to the creditors a larger purchasing power in terms of commodities Deflation brings about a rise in the value of money and a fall in the prices of commodities, hence it benefits the creditor. The general depression caused by falling prices (slump) has a deleterious effect both on production and trade The Government loses in the capacity of a debtor, but gains in the capacity of a creditor.

*Conversion Loan.* When the Government has to redeem a long-term loan, it allows the holders the option of receiving payment in cash or exchanging their old securities for the new The floating of the conversion loan, which is a long term loan carrying a lower rate of interest, enables the Government not only to avoid the payment in cash but also to provide itself with necessary funds

*Treasury Bills* The Government of India generally borrows from the public for short periods by means of Treasury Bills An advertisement is usually made in news-papers inviting the lenders, banks or private individuals, to submit tenders up to a certain amount by a specified date The bills are invariably payable in three months, but bills of a usance of six, nine or twelve months are not uncommon They bear no interest, but are sold at a discount by tender (an offer

made by the lender) and are repayable at par (usually Rs 100 each) For example, if a person wishes to lend to the Government Rs 100 at 2½ per cent per annum rate of discount, he would now pay Rs 97 8 but would recover a Treasury Bill for Rs 100

Tenders are invited generally on each Tuesday by the Government for making purchases, and those quoting the lowest rate of discount are given the preference The principal lenders in the form of Treasury Bills to the Government are the joint stock banks The buyers of T B. are allowed to mention the date of issue, which must be within seven days, when they will pay for and receive the bills

The rate of discount at which purchases are made in the money market is called the *Treasury Bill Rate* The rate of discount, or the T B Rate, is largely determined by, and is an index to, the conditions prevailing in the money market

Although Tuesday is fixed as the regular tender day, the Government may, under circumstances, accept tenders and sell T Bs in between the week Such T Bs are known as *Intermediaries*. They are distinguished from regular T Bs in the point that, whereas in the latter the price is determined by the tenderer, in the Intermediaries it is fixed by the Government on the basis of average rates of the previous callings The rate at which Intermediaries are sold by the Government is technically known as *Tap Rate* Intermediaries are usually resorted to by the Government to take advantage of cheap money in the market

## 8 INTERPRETATION OF MARKET QUOTATIONS

*Example 1*

### CALL AND SHORT LOANS

| | |
|---|---|
| (i) Call Money | ½ p c to 1/4 p c |
| (ii) Interest Day to-Day Loans | ½ p c. to 3/4 p c |
| (iii) Inter Bank Call Money | ½ p c to 3/4 p c |
| (iv) Bankers' Seven-Day Loans | 3/4 p c to 1 p c |

*Comment* These quotations have been taken from the Daily Report of the Calcutta Money Market The opening and closing rates are for loans which are repayable within a week at short notice It should be noted that there is a graduation in the above rates according to the duration for which loans are taken, i e, the longer the period of loan, the higher the rate, and *vice versa* Variations in the opening and closing rates indicate the tendency of the market, whether the market has strengthened or weakened. If the rates at the close rise, the market becomes tight on account of a large demand for money, and the tone of the market is firm

*Interpretation* (i) These are *call* rates at which banks lend money which can be ordered for repayment immediately, or at call made by the lender at his own option within twenty four hours These loans are usually made for overnight accommodation, and since they must be repaid without notice on the next business day, they carry the lowest rate of interest, i e, 1/4 per cent There has been no change in rates at the opening or closing stages which indicates that the market has been steady for this type of loans

(ii) When money is lent to be returned on the next business day, the rates charged by banks are usually low But these rates are higher than call rates, because whereas in the latter money is repayable without notice, in the Day-to-Day Loans the borrower knows his position in utilizing the money for a fixed time, not exceeding 24 hours It should be noted that the closing rates are higher (3/4 p c) than the opening rates (½ p c) which indicates that the demand for these loans has increased, resulting simultaneously in an advanced rate of interest

(iii) These are rates of interest charged by bankers for lending money at Call and Short Notice from the borrowing banks It is common for certain banks to make adjustments by borrowing short-term loans

from other banks hence these rates for short-time accommodation are quoted low. Since the demand for such loans has increased during the day, there is a rise of 1/4 per cent at the close. The money market, so far as this section is concerned is firm and the prospects of business are bright.

(iv) These rates refer to loans which are repayable at seven days notice. They are higher than all the other short term rates quoted in the report because the period for which these loans are allowed by bankers is comparatively longer and the borrower is sure of his position as regards repayment. The opening rate is 3/4 p. c. but the closing rate is 1 p. c., or higher by 1/4 per cent. This increase in the rate shows that good business was done in this section, demand for Seven Days loans was fairly heavy, and there were good prospects of business on the next day.

*Example 2*

## LONDON DISCOUNT RATES

| | |
|---|---|
| (i) Banks Bills 3 months | 1 1/32 to 1 1/16 p. c. |
| (ii) Banks Bills 6 months | $1\frac{1}{16}$ to $1\frac{1}{8}$ p. c. |
| (iii) Fine Trade Bills 5 months | 3 to $3\frac{1}{2}$ p. c. |
| (iv) Fine Trade Bills 9 month | $3\frac{3}{4}$ to 4 p. c. |

*Comment.* These quotations are taken from the London Money Market Report. It hardly needs to be emphasized that the London Discount Market stands supreme in the world. The inter bank accommodation and trade bills are finally discounted in the London Market. The Discount Houses and Bill Brokers, which constitute the London Money Market not only deal in sterling bills, but also perform the important service of grading bills for sale to the banks. Endorsement by these bill brokers adds security to the bills they sell, and is a sufficient guarantee for the banks about the standing of the parties. Bank Bills are Inter Bank Accommodation Bills of Exchange, that is, Bills drawn accepted and endorsed by banks. Fine Trade Bills are those bearing the name of at

least one bank or bill broker or financial house of undoubted reputation. In India, Fine Trade Bills are those arising out of *bona fide* commercial transactions, maturing within ninety days from the date of such purchase, bearing two or more good signatures, at least one endorsement being of a Scheduled Bank, and discountable with other banks or the Reserve Bank of India.

*Interpretation* (i) These quotations refer to Accommodation Bills of 3 months' duration, drawn by one bank upon another and discounted with the Discount Houses or Bill Brokers. A Bank Bill has a higher value in the Discount Market than an ordinary Trade Bill on account of the reliability and better reputation of the bank concerned. The opening rates for three months' bills were 1-1/32 per cent., but the closing rates were 1-1/16 per cent. A rise in this rate at the closing indicates a large supply of such bills for discounting, or a greater demand for money, and therefore a higher rate of interest payable in the form of discount commission.

(*ii*) The rate for 6 months' Banks Bills was higher than 3 months' bills, because the period for which these bills are to run is longer. The rate of discounting these bills, however, will be lower than trade bills. The closing quotations in this case also are higher than the opening rates, and this again shows a large demand for money over long periods and a rising tendency in the rate of interest.

(*iii*) The rates for discounting first class Bills, duly graded and endorsed by Discount Houses or Bill Brokers, are 3 to 3½ per cent. These bills are the best trade bills, but not better than Bank Bills, and can therefore be discounted by Exchange Banks at a lower rate of discount than is payable for bills of low standing. The opening rate for 6 months bills is 3 per cent., but an increase of ½ per cent. at the close indicates a hardening tendency.

(*iv*) The rates for 9 months' Fine Trade Bills are

higher than for 6 month bills, as money in that case is required for a longer period. There is also a rising tendency in these rates which indicates a large demand for long term (9 months) loans and consequently a high rate of discount charged by the Exchange Banks.

*Example 3*

## OTHER MONEY RATES

| | |
|---|---|
| (i) Deposit Rates (Call and Notice) | ... ½ per cent. |
| (ii) Term Rates (6 months Deposits) | ... 1 per cent. |
| (iii) Treasury Bill Tender (3 months) | ... 0-11-3 per cent. |
| (iv) Tap Rate ... | ... 0-10-6 per cent. |
| (v) Reserve Bank Rate | ... 3 per cent. |

*Comment.* These are quotations occurring in all Weekly Money Market Reports. Deposit Rates are quoted by banks for borrowing money, in the form of deposits from other banks or the public, for short or long periods. The rates for Term Deposits are the highest and may range from 1 to 6 per cent. or more according to the length of deposit. Treasury Bill Tender and Tap Rates are quoted in Rs. as. p. per 100 rupee-bill and are known as Discount. All these rates are market pointers and are very valuable both for carrying on normal trading business as well as speculative operations.

*Interpretation.* (i) The Bankers Deposit Rate is paid for leaving deposits with them. When deposits are repayable (or withdrawable) at call, the bankers usually do not allow any interest. If they pay, the rate is nominal. Call Deposits are also called Current or Demand Deposits. Since these deposits are with the bank till the depositor pleases, and can be withdrawn at will, the bank cannot use these deposited funds for lending for any specified period, hence the

low rate of interest In the case of Notice Deposits, the depositor has to give a notice of usually 24 hours for the withdrawal of his funds, that is, withdrawals can be made on the next business day

(ii) Term Rates are quoted by banks to customers who are willing to deposit their funds for longer periods, for three, six or twelve months Since the banks can utilize these funds for specified periods, the rate of interest is usually higher than that for current deposits The longer the period of deposit, the higher is the rate of interest paid In this case the rate of interest is one per cent, much lower than what the banks charge for discounting 6 months bills The difference between the Deposit Rate and the Discount Rate is the banker's profit

(iii) This is the rate of discount at which Treasury Bills are purchased on the market The purchaser of Treasury Bills will be allowed a discount of 0 10-3 per 100 rupee bill for lending to the Government for a specified period, *i e.*, three months Since these bills are repayable at par value (face value of Rs 100 each) the purchaser will surrender Rs 99-5-9 and receive after 3 months Rs 100, the difference being his profit in the form of interest earned on the bill.

(iv) It is the rate of discount at which the Government invites the public to lend money by purchasing Intermediate Treasury Bills on week days, other than Tuesday which is fixed for Treasury Bills This discount rate is usually an average rate of all Treasury Bill Tenders The *tap rate* is the true index of money conditions prevailing in any market at a particular period during the week.

(v) This is the rate of interest at which the Reserve Bank of India is prepared to discount the approved bills of exchange of its member banks This is also called the Re-Discount Rate It is fixed every week and published in the newspapers for the information of the bankers and traders It should be noted that the Bank Rate has a great controlling influence over all other rates in the money market

## EXPLANATION OF EXTRACTS FROM MARKET REPORTS

*Origi al 1*

Calcutta, November 19

Money continues very easy indeed and the rates in the inter bank call market are again quoted at a nominal ½ p c for Calcutta and ¼ p c for Bombay

—*Capital*

*Comment* This extract is taken from the weekly report of the Calcutta money market The student will understand at once that the conditions for short borrowings are good because money can be had cheaply both at Calcutta and Bombay

*Expla ation* This sentence refers to conditions of borrowing money for short periods in the Calcutta Money Market The reporter observes, as is also evident from the rates of interest quoted, that money can be borrowed at very low rates of interest It should however be noted that the rates quoted above are for *Money at Call and Short Notice, i e* for loans borrowed by banks from other banks In order to accommodate themselves the members of the money market, principally the banks, make such borrowings which are called Inter-Bank Call Loans This loan is also returnable at call or without notice, hence the low rate of interest The rate is higher at Calcutta which shows that conditions are not so easy there as at Bombay where the rate is only ¼ per cent

*Conclusion* During the week under review the rate of Inter Bank Call Loans was very low and money could easily be borrowed at ½ per cent interest. This weak condition of the market is a continuation of the past week, and the low rates together with an absence of demand are indicators of a further down ward tendency in the future

*Original 2*

There was the usual *end-of year stringency*[1] and on December 28 and 29 the rate for *call money*[2] rose to 6 per cent *with borrowers over*[3]

—*I Com Rajputana*

*Comment* On the very first reading, it will be seen that the market shows a rising tendency This report seems to have been written at a time of the year when the demand for money is generally very large At such times, the money market remains tight, money is dear and there is an all round rise in rates of interest for all short period loans The word '*usual*' has been employed by the reporter to point out that money, as a rule becomes scarce at the end of the calendar year, *i e*, in December This is usually the month in which banks and other financing houses close their books and prepare their Balance Sheets Since it has become a customary practice for banks in India to show higher cash balances in their final accounts for presenting a sound position to the public, they are obliged to withdraw (call back) all short term loans from the market This practice creates a difficult situation for short and call money borrowers However temporary, the natural effect of this system is that money becomes scarce rates of interest become high and the market becomes tight. Pressing as the needs of some traders are at the end of the year, they must get sufficient money to cover their current expenditure though sometimes, on account of the reasons given above the borrowers are unable to borrow enough money even at the high rate quoted in this report

*Interpretation of Italicized Portions* 1 Scarcity of money, which is usually felt in the market at the end of the calendar year, or in the month of December

2 Short period loans advanced by banks to be recalled at the lender's option, or without notice to the borrower

3 There were more borrowers than lenders, i e, there was an excess of demand over supply of money

*Explanation* This extract is taken from the Money Market Report for the last week of December. The reporter at the outset reminds us that this year in particular, money was scarce and therefore the rates were unusually high On the 28th and 29th of December the rate for Call Money had shot up to 6 per cent, which is rare for this type of temporary loan, Call Money being lent out usually at nominal rates of 1/4, 1/2 or 1 p c But the tragedy lies in the fact, that even at this exorbitantly high rate of 6 p c, many borrowers were left out without being able to obtain any money whatever These conditions indicate that the money market is very tight and the money is exceptionally dear

*Conclusion* The money market in December was so tight that Call Money could not be borrowed even at a 6 per cent. rate of interest Such a state of affairs in the money market is highly detrimental to the trade and commerce of a country

*Original 3*

At long last definite indications of *trade demand*[1] have *begun to show themselves*[2], with the result that *call loans*[3] are now obtainable *at nothing less than* 1½ *per cent*[4]

—*I Com, Bombay*

*Comment* This report refers to the short loans section of the money market The student should note that money at call and short notice represents a class of loan the rate of which is susceptible even to the slightest variation in demand The reporter, in this case, is noting with a sigh of relief the renewal of business activity in other markets after a long spell of inactivity The result of this trade activity is that the demand of traders for short loans has been revived and the tendency of the money market rates is upward.

*Interpretation of Italicized Parts* 1 The demand of traders for goods for their own requirements

2. Revived, commenced, or began to be felt in the market

3 Loans for short periods, repayable at the option of the lender

4 Not cheaper than 1¼ per cent or at 1½ per cent and over.

*Explanation.* After a long spell of dull conditions, the money market has shown signs of activity This is noticed particularly in the Call and Short money section The revival of good business conditions in *the money market should be attributed to the sudden* turn in business in other commodity and capital markets The traders are showing signs of activity, that is, making purchases and taking delivery of goods for replacing their stocks They are in need of money and have created a demand for call loans in the market In view of this new demand the rate for short term loans has risen, and at the time of reporting the rate has touched a new level of 1½ per cent. Moreover, call money is not available at a lower rate than 1¼ per cent *this being the minimum or lower* limit of the lending banks Thus, it will be seen that the tendency of the money market is bullish and money has become dear Viewed thus, the condition of the market is bright

*Original 4*

The raising of the *Bank Rate*[1] to 6 per cent for no apparently justifiable cause, and fears that for similar reasons there might be at any time a further rise to *7 per cent, led to the beginning of a mild scramble for money*[2]—accentuated by the fact that the Market was only open for occasional days during the holidays—and *Call money rose to 4 4½ per cent*[3] with 5 per cent *freely offering*[4] for Three Months' Deposits

—*I Com, U. P.*

*Comment* This passage, taken from a money market report, shows the effect of a change in the Bank Rate on the money market It has already been pointed out elsewhere, that the Bank Rate has a controlling influence on all other money rates A rise in the Bank Rate indicates dear money conditions, hence a sympathetic rise in all money rates, particularly short loans and deposits, as is shown here

*Interpretation of Italicized Phrases* 1 The rate at which the central bank of a country re-discounts first class bills

2 The appearance of a slight demand for money The term 'scramble' shows an element of anxiety or keenness on the part of borrowers, and is used to indicate a sudden rise in rates when speculators and exchange banks are compelled to cover

3 The rate for Call Money rose from a nominal or fraction of 1 per cent to 4 and 4¼ per cent The Call Rate is normally ½ to ¾ per cent and its sudden rise foretells a serious stringency in the money market

4. The rate for Three Months Deposits, offered by banks, was now quoted at 5 per cent This rate had become the feature of the day

*Explanation* Due to certain reasons unaccounted for, the Bank Rate was raised to 6 per cent and there were fears of its being further raised to 7 per cent This change soon created some demand for money, which was further increased by the fact that the market was not doing regular business i e, it opened only for a few days during the week on account of holidays Thus two factors were responsible for tightening the money market, *first*, the raising of the Bank Rate, and second, irregular business done during the week The result was that the rate for call money rose considerably and was quoted within a range of 4 to 4¼ per cent On the other hand, banks were anxious to invite 3 months deposits at 5 per cent so as to lend these funds at higher rates in •

future The state of the money market may therefore be summarized as fairly firm, indicating good prospects of business

*Original 5*

There was a *sharp drop*[1] in the total amount of this week's *Treasury Bill Tenders*[2] and in consequence *the market received a better average rate*[3] at thirteen annas per cent per annum Sales of *Intermediates*[4] continue to be *maintained*[5]

—*Commerce*

*Comment* This passage is taken from the Bombay Money Market Report and relate to the Treasury Bills section It has already been pointed out elsewhere that the Government borrows money from banks and other members of the money market by issuing Treasury Bills The lenders come forward with their tenders (offers) and those wanting the lower rates of interest are given preference

*Interpretation of Italicized Portions* 1 A sudden and precipitous fall or diminution

2 Offers made by the members of the money market for loans to the Government

3 Usually the rate of discount allowed by the Government in the case of Intermediate Treasury Bills is the *average rate* of interest, calculated on the basis of all tenders for Treasury Bills received on the previous Tuesday In this case the lenders received a fairly high average rate

4 When Treasury Bills are not fully subscribed for on Tuesday (the regular tender day), the Government may have to sell Treasury Bills in between the week-days at an average rate of discount. Such bills are known as Intermediates

5 The Government is still receiving a good response to the sale of Intermediates The demand for these bills is regular and continued because the rate is fairly high The Government has to offer a higher rate because its requirements are not fully met with.

*Explanation* During the week under review, the reporter observes, the total amount subscribed for Treasury Bills fell considerably in comparison with the last week This was due to the presence of fewer lenders in the money market. The rate of discount was therefore high In view of a lack of lenders, and owing to a large amount of Treasury Bills remaining unsubscribed on the issue day (Tuesday), the Government was compelled to issue Intermediate Treasury Bills at a fairly high average rate of interest That is, the Government had to accept tenders for Rs 99-3, lent now, for repayment after one year at par, i e., Rs 100, or at the rate of 13 annas per cent per annum. This is indeed a high average rate for Intermediate Treasury Bills, and at this rate there was a steady demand at the close of the week. It may, therefore, be concluded that the money market is fairly tight and there is no demand for Treasury Bills, but at the close of the week a steady demand for Intermediates was created at a high average rate of discount, i e, 13 annas per cent. per annum.

## EXERCISES WITH HINTS FOR EXPLANATION

*Exercise 1*

The money market continued *easy*[1] during the week as there is a *plethora of funds awaiting employment*[2] If additional proofs are required then look up the Imperial Bank and the Reserve Bank statements, *balances held abroad*[3], tenders to Government of *Treasury Bills*[4], and the average rate of acceptance of Bills *Maturities*[5] did temporarily disturb the market, but they were soon *offset by renewals of a like amount*[6]

*—I Com U P.*

*Hints* 1 The tendency of the market was downward, i e the rates of interest, at which money could be lent or borrowed were very low, and therefore not favourable to lenders

2 Huge amounts of money available in the money market are lying idle and cannot be lent even at nominal rates, *i e*, an over supply of money in the markets

3 Balances of cash and credit held in England by Indian banks

4 Money borrowed by the *Government* by issuing Treasury Bills of Rs 100 each Such loans are usually subscribed by banks to employ their idle balances

5 When the term of Treasury Bills expires, they are said to have matured, and are repayable by the Government If the old bills are converted into new ones, its effect is not felt by the money market but, if the Government pays back the amount of Treasury Bills, the market is flooded with money and the tone of the market is soon weakened

6 The old Treasury Bills were converted into new ones at the time of maturity, and therefore the possibility of easiness in the money market due to a plethora of funds was adequately counter-balanced

*Questions* 1. Give reasons for the easy conditions prevailing in the money market

2 Rewrite the above passage in your own words

*Exercise 2*

Fairly *easy conditions*[1] ruled locally during the early part of last week, but money *firmed up*[2] and was *in good demand*[3] *later*, and, with little money available, *there are good borrowers of call* and short notice at 5¼ per cent The *Bank Rate of discount*[4] for *first class bills*[5] remains at 7 per cent

—*I. Com*, *Rajputana*

*Hints* 1 The rates for borrowing money were low, that is, money was easily and cheaply available

2 The rates of interest became higher due to better demand.

3 There were more borrowers of money at the close of the market.

4 The minimum rate of the Reserve Bank of India for rediscounting first class bills

5 Bills of Exchange which are endorsed by Bill Brokers of reputation or by Scheduled Banks of the Reserve Bank of India

*Questions* (1) Explain the above passage in simple, non technical language

(2) Give a title to the above passage

*Exercise 3*

The money market remained easy during the week *call money*[1] being quoted at about one per cent during the early part of the week, *closing at ½ per cent*[2] Treasury bill sold amounted to Rs 100 lakhs *at a new low rate*[3] of 1—5/8 per cent per annum The *trade demand*[4] is *down* by Rs 79 lakhs and the bank rate is unchanged at 3—3 per cent.

—*I Com Bombay*

*Hints* 1 Short-period advances made by banks to traders

2 The rate for call money quoted at the end of the week was only ½ per cent.

3 A lower rate was reached this week in comparison to previous rates for the sale of Treasury Bill.

4 The demand of traders for loans

Short, or fallen to a lower level

*Questions* (1) Write an explanation of the above report

(2) Find out yourself the cause of easy conditions obtaining in the market.

(3) Suggest a suitable title for this report.

*Exercise 4*

When money is really very cheap in the money market, the issue of treasury bills *to take off the surplus and unlendable funds*[1] which at times have *clogged the market*[2] during the monsoon months, could be said to fill a gap which has long been an obstruction in *the financial machine*[3] in India But the issue of treasury bills at a time when the money market is just and only *just recovering from a period of severe stringency*[4] is a totally different matter and is naturally resented for more reasons than one For one thing *Government at once becomes a competitor of banks for merchants short term money*[5]

—*I Com U P.*

*Hints* 1 To utilize by issuing treasury bills, the plenty of idle funds lying with the banks which cannot be lent at reasonable rates in the market

2 The money market was saturated with large surplus funds and it thus obstructed the normal operation of business

3 The money market in India comprising a large number of banks and brokers

4 The money market is just recovering from a period of hyper activity (busy season), and coming down to normal conditions i e, it has not yet come to normal business life Soon after the busy season the money market cannot be expected to release large amounts for the purchase of treasury bills, because the *money lent during the busy season remains locked up* for some time afterwards

5 The Government begins to compete (as a borrower) with traders and other merchants for short-period loans which the latter should ordinarily receive from the lending banks for carrying on their business

*Questions* (1) Give the substance of the above report.

(2) Describe the characteristics of the Indian

Money Market and point out the favourable periods when treasury bills should be floated

(3) Suggest a suitable title to the above passage

### ADVANCED EXERCISES WITH GUIDE QUESTIONS

*Exercise 1*

Easy conditions returned to the short term money market after only a brief spell of activity Call money was quoted at 1/4 per cent 3 months money at 1 per cent and 6 months at $1\frac{1}{2}$ per cent The discount rate of the Government of India Treasury Bills came down fractionally from Re 1 to Re 0 15 11 per cent per annum As from February 13 the Government have increased the amount of tenders from Rs 1 crore to Rs 2 crores Bills sold on tap amounted to Rs 1 48 crores during the week

*Questions* (1) Explain fully the above report for an average trader in your city

(2) Reduce the above passage into a telegraphic message

*Exercise 2*

Bombay 15th October

The easier money conditions that were persisting in the money market for some time past showed no signs of abatement during the week under review also Call rate was quoted at $\frac{1}{4}$ per cent which was the same as last week with all lenders and no borrowers There was also no change in the *term rates* either for three months or six months deposits which remained at $\frac{1}{2}$ per cent and $\frac{3}{4}$ per cent respectively Banks seemed very reluctant to take deposits even at this rate as they could not find sufficient demand for their funds from trade and industry even during this busy part of the year The latest statement of the Scheduled Banks indicates further increase in their balances with the Reserve Bank by about Rs 23 lakhs to Rs 49 crores

These easy conditions were clearly reflected in the Treasury Bill tenders to the Reserve Bank this week As against an invitation of Rs 2,00,00,000, the total amount offered showed an increase to Rs 5,18,75,000, which compares with Rs 4,85 00,000 of last week and Rs 4 04 00,000 a fortnight ago The average rate of accepted tenders fell also by a pie to Re 0 10 6, as against Re 0-10 7 of last week There is no alteration in the tender limit for next week s Treasury Bills which remains at the same level of Rs 2 00 00,000

*Questions* (1) Give reasons for the easier conditions persisting in the market.

(2) Rewrite the above report in your own language

*Exercise* 3

Bombay, 12th November

The money market continues to be characterised by the *self same easy money conditions* that have been persisting during the last several months Although we are in mid November, *the seasonal demand for funds* has not yet assumed its normal size The rates for three and six months deposits, therefore, remain unchanged at ¾ per cent. and 1 per cent. respectively *The inter bank ra e* also is unaltered at ½ per cent

As anticipated by us last week, the Treasury Bill rate for the week has recorded a substantial rise As against Re 0 10 11 per cent per annum in the last week, the Government had to pay during the week as much as Re 0 12 2 per cent per annum, that is, a rise of Re 0-1-3 per cent in favour of the market As against an invitation of tenders for Rs 2,00,00 000, the total amount offered was Rs 3,34,50 000 which when compared with *last week's offerings*, shows a reduction of Rs 62,75 000 The tender limit for the next week remains unaltered at Rs 2,00 00,000

Sales of *intermediates* from 5th November to 10th November aggregated Rs. 1,36,75,000, the rate allowed on these bills being Re 0-10-0 per cent Sales of these bills will be continued up to 17th inst and the rate for

them has been raised to Re 0-12 0 per cent. Such an *increase in the rate for tap bills*, while being consistent with the rise in the rate allowed for bills on the tender system, indicates that Government has no idea of checking the present rise in the rate and that it is urgently in need of short term accommodation.

*Questions* (1) Explain the portions italicized.

(2) Give reasons for the easy conditions prevailing in the money market.

(3) Suggest a heading to describe the tone of the market.

*Exercise 4*

The consolidated statement of the position of the *Scheduled Banks*[1] for the week ended 19th September, as compared with that for the previous week, shows a *sharp rise*[2] of Rs 466.94 lakhs in deposits Of this increase as much as Rs 403 12 lakhs have occurred in *demand Liabilities*[3] in India *Time liabilities*[4] in this country have also recorded a fairly substantial rise of Rs 53 41 lakhs In Burma the increases have been only small, being Rs 1 71 lakhs in liabilities and Rs 6 70 lakhs in time liabilities Advances in India have declined by Rs 34.07 lakhs but in Burma these have experienced a small improvement of Rs 7.22 lakhs Bills discounted, however, have fallen in both the countries, by Rs 28.23 lakhs in India and by Rs 68,000 in Burma. Following the *steep rise in deposits*[5] and a *moderate recession in advances*[6] balances with the Reserve Bank have gone up by Rs 59.39 lakhs, although cash on hand has been lower by Rs 39.86 lakhs The improvement in balances with the Reserve Bank does not fully reflect the advance in deposits It is, therefore obvious that a portion of the rise in deposits must have gone into investment, presumably in Defence Loans

*Questions*, (1) Explain, with examples, the terms and phrase italicized in the above report.

(2) What is the effect of a sharp rise in Demand Deposits of Scheduled Banks on the money market.

(3) What does an improvement in balances with the Reserve Bank indicate ?

*Exercise 5*

Calcutta, December 19

Although conditions in other markets have been unsettled as a direct result of events in the Far East, the money market has remained unchanged generally during the week

It is noticeable that Banks are better borrowers of 1 month Deposit at the same rate of ½ per cent, but this is the only difference The 3 month Deposit rate does not give any indication of the situation in the money market because it does not compare well with yield available in 3 months Treasury Bills Inter-Bank Call money remains in good supply and there has been no suggestion of nervousness leading to withdrawals of money in this market.

The Reserve Bank of India return dated December 17 shows the Scheduled Banks balances down again this week from Rs 42,48,48,000 to Rs 37,34,95,000, which is just over Rs. 5 crores. The Total Note circulation continues to show an expansion and is up this week by Rs. 5 crores, 98 lakhs, 12 thousand There has again been very little interest displayed in Government of India three-month Treasury Bills Maturities were Rs 2 crores but applications for the Bills, both by Tender and on Tap, have been very small The total of Taps taken during the week at Rs 99 12-3 was only Rs 44 lakhs and 75 thousand The Tap rate remains unchanged this week The Tender amounted to Rs 1 crore, 58 lakhs and 75 thousand Applications at Rs 99-12 3 were accepted in full, and those at Rs 99 12 0 received 63 per cent. allotment The average yield on the above works out at 15 annas 9 pies per cent, per annum, which is fractionally lower than last week The Rupee gilt edge market has been unsettled and 3½ per cent Government Paper has receded from Rs 94-12-0 to Rs 92 4 0

*Questions* (1) Give an explanation of all technical terms and phrases you come across in this report

(2) Explain fully the second paragraph of the above report

(3) Give the substance of the last paragraph

*Exercise 6*

Bombay, 5th November

There are as yet no signs of *the onset of the usual seasonal activity* in the money market Demand for short-term credits continues to be meagre There are, on the other hand, impressive indications of a rise in the supply of *short term funds* To give only one instance, the deposits of scheduled banks, which had recorded a fall of over Rs 4 crores to Rs 47 9 crores, have again *shot up* and now stand at over Rs 50 crores It is, therefore not surprising to see that banks are not prepared to pay more than ½ to ¾ per cent for three months and ¾ to 1 per cent for six months Even the rate for day-to-day funds remains unchanged at 1/4 per cent with borrowers scarce

The *yield* on three months Treasury Bills of the Central Government has, however, gone up slightly during the week Thus, the *average rate* of accepted tenders has been Re 0-10 11 per cent per annum as against Re 0-10 3 per cent per annum a week ago This increase of 8 pies must be attributed to the introduction of *intermediates*, the sales of which from 30th October to 3rd November amounted to no less than Rs 2,11,50,000 Such a large absorption of funds at a time when *maturities* are not appreciable has naturally resulted in a reduction in the amount offered for Bills on the tender system, which in turn has caused a rise in the average rate as noted above. The total amount available for tenders must have been further reduced by the Bengal Government's borrowing in the short-term market to the extent of Rs 1,25,00,000 *at the fag-end of last week.* The actual amount tendered by the market against an invitation of

Rs 2,00 00 000 by the Central Government was Rs 3,97,25 000 which is lower by Rs 36 50 000 when compared with the amount offered in the previous week The tender limit for the next week remains unchanged at Rs 2 00 00 000 Sale of intermediates is being continued, the rate offered for such being higher at Re 0 10 0 per cent as against Re 0-9 0 per cent. early in the week under review The continuance of the sale of intermediates at a higher rate might result in the Government having to pay a still higher rate for the bills on the tender system for the coming week, which if allowed to persist *will cause the other short term money rates to harden a little*

*Questions* (1) Explain in non technical language the portions italicized in the above report

(2) What is the effect of seasonal activity on the money market of the country as a whole ?

(3) Explain fully, by showing causal relation between the rates for Intermediates and other money rates, the last sentence of the report

*Exercise 7*

Calcutta, January 9

On account of holidays, this review covers a period since December 19, 1941, and during that time a financial process of great importance to India has been notified by the Reserve Bank of India

The total plan, which is spread over one year, cover , as far as possible the repatriation of the entire amount of India s Sterling Loans, consisting of $2\frac{1}{2}\%$, 3% and $3\frac{1}{2}\%$ Stock The sum involved is £158 millions, and when this operation is completed, the Reserve Bank will still be in possession of more than ample Sterling funds Taking the long view, this operation adds strength to the Rupee, for it rids the country of the necessity to provide Sterling each year for the payment of interest, and in fact it places India upon the brink of becoming a creditor nation.

It is early as yet to visualize if any limit will be put upon the accumulation of Sterling credits but every indication at present shows that sooner or later this problem will create great interest. In the Money Market there are two tenders for Government of India three month Treasury Bills to report, and they indicate that after a gradual rise in yield the rate of 1% per annum has become fairly established. In the tender of the 22nd December, 1941, for Rs 1 crore, applications at Rs 99 12 3 per cent were allotted in full and those at Rs 99-12-0 per cent. received 80% allotment.

During that week Taps at Rs 9 -1?-3 per cent. were taken up to the extent of Rs 1 crore 42 lacs and 50 thousand. The tender of January 6th, 194?, for Rs 1 crore was over subscribed and applications at Rs 99 12-0 per cent received only 60%. The average yield was 1 per cent. Taps at Rs 99 12 3 per cent were taken up this week to the extent of Rs 4 crores and 1 lac, out of which sum the interesting announcement is made, Rs 3 crores and 22 lacs were sales to Governments. Market conjecture places these Governments as provincial organizations in India or adjacent localities. It is noticeable therefore that not much public money was invested in Treasuries by tender or Tap, probably because of the hardship arising thereby in the computation of capital in tax returns. Inter bank Call Money remains unaltered, with tenders available. Banks are good borrowers of one-month fixed deposit at ½ per cent., but for longer periods at any higher rate they are less inclined to borrow than before the holidays.

Since last reported there has been a steady rise in the total Note issue, which was Rs 330 8? 18,000 on the 17th December and is Rs 357,12,19 000 today. During the same period gilt-edge prices have improved, and 3½ per cent Paper has advanced from Rs 92-4-0 to Rs 94-13-0. It is reported that operators are switching their investments by buying 3½ per cent Rupee Paper and selling the counter part which they hold in

London, namely, $3\frac{1}{2}$ per cent India Sterling Stock, because the latter is to be repaid in one year s time Scheduled Banks balances with the Reserve Bank were Rs 37,34,95,000 on the 17th December This week they are Rs 33,94 97 000, a useful decline that indicates some seasonal demand

*Questions* (1) Make a list of technical terms and phrases and explain them for a layman

(2) Make a precis of the above Report

(3) How can you judge from a report on the issue of Treasury Bills the true condition of the money market ?

*Exercise 8*

Bombay, 19th November

There was practically no change in the money market during the week under report. Funds were available in plenty, call money being quoted at $\frac{1}{4}$ per cent for renewals only The only new feature worth mentioning was a slight rise in the rate for three months deposits from $\frac{3}{4}$ per cent to 1 per cent This increase, however, should not be taken to mean that there was any appreciable demand for them. As in the past few months, banks continued to show no keen desire and did not seek for fresh deposits, but they were not turning down all offerings as they used to do before This was all the change that was noticeable during the week in the short term money market Six months deposits were not in demand and were nominally quoted at 1 per cent

There was a further spurt in the rate for Treasury Bills, the average rate of accepted tenders being Re 0 13 0 per cent per annum as compared with Re 0 1? 0 per cent in the previous week and Re 0 10 11 per cent a fortnight ago As against an invitation of Rs 2,00,00 000, the offerings to the Bank aggregated only Rs 2,34 00,000, which, when compared with tenders submitted during the preceding week, shows a sharp fall of a crore of rupees Intermediates

were sold between 12th November and 17th November at the fixed rate of Re 0 12 0 per cent The total of such sales amounted to Rs 1 12 50 000 which should be regarded as satisfactory although they are somewhat lower than those sold in the previous week It may be noted in this connection that in addition to the weekly offtake by the Government of India the Madras Government also stepped into the short-term market for an accommodation of Rs 50 00 000 with the result that outgoings during the week were far in excess of maturities aggregating only Rs 1 00 00 000 This to a certain extent explains the reduced sale of intermediates and the notable fall in the offerings for the Bills on the tender system According to the Reserve Bank of India's *communique* sales of intermediates will be continued upto the 24th inst the rate at $\frac{3}{4}$ per cent being the same as in the week under report

The market's response to the invitation of tenders by the Madras Government for Rs 50 00 000 of three months Bills was very good as indicated by the fact that offerings amounted to as much as Rs 1 26 00 000 The average rate of accepted tenders was Re 0 13 1 per cent per annum which is practically the same as that paid by the Central Government.

*Questions* (1) Pick out words and phrases of a technical nature and explain them with reference to the context.

(2) Describe fully the tone of the different sections of the market

(3) Why did the rates for Treasury Bills record a rise during the week under review ?

(4) Make a *precis* of the above report and give a suitable title to it

houses are called Bank Papers or Bank Bills When bills are drawn by India (exporters) on England (importers of Indian goods), they are known as Sterling or Export Bills, while those drawn on American importers by Indian exporters are called Dollar Bills

*A Telegraphic Transfer* (T. T) Represents an order issued by telegram, by banks and other members of the exchange markets of the world on each other, to pay to the nominee of the purchaser of the T T a certain sum specified therein It is the quickest method of transmitting money, and is similar to a Telegraphic Money Order through a bank A T T. is also known as Cable Transfer, and is usually confined to banks, because it requires great confidence in the absence of a signature for purposes of verification.

*Mail Transfer* (M T) When a bank issues an order on its branch or another bank, by mail and not by telegram, to pay a specified sum of money to a named party, the transaction is known as Mail Transfer If the bank guarantees the payment through its agents abroad, within a specified period, the transfer is called *Guaranteed Mail Transfer* (G. M T)

*Banker's Draft* (O D or D D) It is also a very popular method of transferring funds from one financial centre to another A draft is an order issued by one member of the Exchange usually the bank, on another, the bank's agent, to make payment to the purchaser of the draft or to his nominee This order is sent by mail and not by telegram, and is usually known as O D (On Demand) or D D (Demand Draft) It is just like an ordinary cheque drawn by the issuing bank upon another bank or on one of its own branches It can be crossed, and the creditor can deposit it to his account for clearance like a cheque

*Stock Exchange Security* (First Class) which has an international market These securities are usually transferred to the centre where their price is comparatively high at the time

*Bullion* (gold) It is remitted only when its transport becomes a cheaper and the most convenient method of remittance

It should be noted, however, that in actual practice there are numerous exporters and importers in every country The amounts involved in several transactions are not always identical The period of credit may not be the same and the buyers and sellers may not meet to know each other's standing Under these circumstances, therefore, the services of specialized institutions, known as Exchange Banks, become indispensable for linking up the exporters and importers for the settlement of their respective claims The Exchange Banks arrange to receive payments for the goods exported, and make remittance for the goods imported. They are therefore the purchasers of bills from the exporters or the creditors, and the sellers of drafts (T. T. or D D ) to importers of the debtors The export bills are sent to branch offices of the bank in the country where they fall due and are collected, while the T Ts or D Ds are advised to branch offices of the bank in the country where payment has to be made An Exchange Bank usually sells remittances on a country only up to the extent it has purchased claims on that country It can sell more only when its funds, in excess of its requirements, are locked up in the country on which such remittances are sold Thus we find that a large volume of international debits and credits is settled by telegraphic transfers and export bills without any gold being actually exported or imported

## Organization of Foreign Exchange

The Foreign Exchange is that section of the Capital Market which deals in foreign exchange transactions.[1] It is now established in all important commercial and financial centres of the world. Like the commodity market, the Foreign Exchange is constituted of merchants, dealers and brokers

The dealers are either operators in the Foreign

Exchange departments of the banks, or are independent financial houses" They buy from and sell to merchants and other dealers The merchants are the exporters, who hold the export bills for sale, or importers, who want to buy T Ts to settle their foreign debts

The brokers, on the other hand, are persons or firms, who generally act as intermediaries in transactions between the dealers and merchants They also transact business on their own account They are financed by short term borrowings from banks on the security of bills which they hold, and their profit constitutes the small difference in their buying and selling price, or the difference in rates of interest they pay to the banks and charge the public for discounting them These bill brokers as they are usually called, are such experts at these dealings that they always make a small margin of profit from such transactions and have made themselves almost indispensable to the machinery of foreign exchange

## Foreign Exchange Operations in India

The Foreign Exchange Market in India is not very large It is largely in the hands of the Government and the Exchange Banks which act as clearing houses for exchange These exchange banks provide rupees in India to Indian exporters who want to convert the sterling paid to them in London by British customers, and sterling in London for Indian importers of British goods who want to make payment to British sellers The Indian exporters therefore surrender (sell) their sterling to the banks and receive payment in rupees, and the importers pay rupees to the banks in exchange for sterling. Thus an exporter from India is a seller of sterling, whilst an importer into India is a buyer of sterling. The former usually sells his sterling in the form of Bills of Exchange, known as Export Bills , the latter usually purchases sterling in the form of remittances called Telegraphic Transfers or Demand Drafts.

| |
|---|
| An Exchange Bank is the *Buyer* of foreign currency in the form of Export Bills |
| An Indian Exporter is the *Seller* of foreign currency in the form of Export Bills |
| An Exchange Bank is the *Seller* of foreign currency in the form of T T or D D |
| An Indian Importer is the *Buyer* of foreign currency in the form of T T. or D D |

"It is important to remember, however, that bills and remittances are merely sterling or sterling claims. As the exchange banks form the agency by which sterling is transferred from seller to buyer, it is plain that to operate they buy from the exporter and sell to the importer, the price being expressed in so many shillings and pence to the rupee. That being so, the price of sterling, like that of all other commodities, depends on the relation between supply and demand."

The buying and selling rates of the banks as well as their willingness to enter into forward transactions depend largely on their (cash position and their exchange account at the time of dealing. The rates at which the banks will buy or sell forward exchange are governed to a large extent by the rates at which they can cover their operations. This means that the banks, in view of the doubtful future of exchange, will avoid taking risks, and for the time being they will buy bills against cover, or, on the other hand, sell telegraphic remittances only against deliveries of bills. In other words, when sufficient cover is not available in the exchange market to provide for the risk involved, the banks will not sell remittances to importers unless they can, at the same time, buy exporters' bills at about the same usance, nor will they purchase export bills unless they can make a fairly quick sale of exchanges against them to provide the necessary funds. The whole position is really governed by the steadiness or otherwise of exchange. If exchange is fairly stable, the banks will take their chance of being able to cover at profitable rates, but

Banks) in India and plenty of money in London. The banks are therefore anxious to sell remittances on London as early as possible to replenish their funds and get rid of idle funds in London Since India quotes England in sterling, the banks selling rate for T T on London will be lower than the D D rate, and will ordinarily be quoted at 1 5 $\frac{15}{16}$d and 1-5$\frac{31}{32}$d. respectively On the other hand, the bank's buying rate for long usance bills on London will be higher than the rate for short bills That is, the rate for long bills will be the highest, and for two months' short bills, the lowest, *e g* , Banks Buying 3 m/st on London 1 6 $\frac{9}{32}$ d , 4 m/st 1 6 $\frac{5}{16}$d, 6 m/st 1-6$\frac{3}{8}$d The student should now understand that if a country (e g , India) quotes the exchange rates in terms of foreign currency (Movable Quotation), lower rates are expensive and dearer, but higher rates are cheaper In the case of those countries which quote in their own currency (*e g* , France), the lower rates are cheaper while the higher rates are dearer On reading Exchange Reports in the columns of commercial papers, the student will find that in India, other things being equal, banks selling rates are lower and hence dearer, while banks' buying bill rates are higher and hence cheaper The difference between the banks' selling and buying rates constitutes the bankers' profit

It has already been made clear that the Short Rate (also known as Sight or T. T Rate) in India is usually lower than the Long Rate (also known as Bill Rate). The difference between these rates is due to the fact that the long rate is subject to various charges in the form of interest for transit and usance stamp and insurance charges, and bank's commission After making allowance for these factors, the long rates will be found to be based on and governed by the short rates Any variation in the short rates, of course, other things being equal, is likely to influence the long rates sympathetically. If the short rate moves up or down by a certain percentage, the long rate must also rise or fall to that extent. Since other

*Example A* QUOTATIONS IN BOMBAY EXCHANGE ON LONDON

(*Mint Par Re. 1 = 1s 6d*).

(Rate per Re 1)

| | | | | |
|---|---|---|---|---|
| (1) Banks Selling T T (Spot) | 1s $5\frac{15}{16}$ d | *Low Rate* | *Unfavourable for Buyers* of exchange *i e* importers consumers and debtors as they will be credited in London for a lower value in sterling for every rupee paid in India | |
| D D | 1s $5\frac{31}{32}$ d | | *Favourable for Sellers i e* banks or holders as they will receive a higher sum in Rs for a fewer paid in sterling | |
| (2) Banks Buying T T (Spot) | 1s $6\frac{1}{32}$ d. | *High Rate* | *Favourable for Buyers* of drafts and bills, because they will receive a higher sum in sterling for every rupee paid by them | |
| D D | 1s. $6\frac{7}{32}$ d | | *Unfavourable for Sellers of bills i e* exporters or producers because they will have to surrender a higher sum in sterling for the same amount received in Rs in India | |
| 3 m/st | 1s. $6\frac{7}{32}$ d | | | |
| 6 m/st | 1s. $6\frac{7}{8}$ d | | | |

*Note.* (1) Banks Selling—If the Low Rate *falls*— { Favourable for Sellers; Unfavourable for Buyers }

" " " " *rises*— { Unfavourable for Sellers; Favourable for Buyers }

(2) Banks Buying—If the High Rate *falls*— { Unfavourable for Buyers; Favourable for Sellers }

" " " " *rises*— { Unfavourable for Sellers; Favourable for Buyers }

*Example B.* QUOTATION IN BOMBAY ON NEW YORK (Rs per $ 100)

| | | | |
|---|---|---|---|
| 1. Banks Selling T. T. | 319 | *High Rate* | Unfavourable for Buyers, importers or debtors in India. Favourable for Sellers, i.e., creditors and exporters in the U. S. A |
| " D. D. | 320 | | |
| 2. Banks Buying 30 days D.D. | 328 | *Low Rate* | Unfavourable for Sellers of bills, i.e., creditors in America, Favourable for Buyers of bills, importers or consumers in India |
| 20 " " | 326 | | |

*Note.* (1) If the High Rate *falls*—Favourable for Buyers, or debtors in India and unfavourable for Sellers

" " " " *rises*—Favourable for Sellers, i.e., creditors in U S A and unfavourable for buyers

(2) If the Low Rate *falls*—Unfavourable for Sellers and favourable for buyers.

" " " " *rises*—Favourable for sellers and unfavourable for buyers

between one country and another, and quoted in the third country That is a rate of exchange quoted in one monetary centre on another, and cabled over to the third country for publication in the papers will become *cross rate* from the point of view of the third country For example the rate of exchange between England and America when quoted in India will be called London New York Cross Rate or Sterling Dollar Cross Rate or London on New York $ 4 03½ to £1 Similarly from the point of view of London we have Rupee-Dollar Cross Rate *i e* Rs 330 = $ 100 and from the point of view of New York there will be Rupee Sterling Cross-Rate *i e* Re 1 = 1s 6 l between Bombay and London

*India B C Rate* The rate for retiring bills c paying them before due date is known as the Bills for Collection rate (abbreviated B/C rate). It is fixed daily by the Associated Exchange banks The acceptors of the bills are given the option of fixing exchange forward with the banks who hold the bills but if they neglect to settle exchange with the banks then the B/C rate hold good

*Mint Pa* The rate of exchange is said to be at *mint par* when the price of a bill is at such a rate that an ounce of fine gold in one country commands the right to receive an ounce of fine gold in another country The rate of exchange between any two countries will be at mint par when the total money value of exports of the one just equals the total money value of imports of the other, *i e*, there is an equality between the supply of and demand for bills The mint par can only be established between countries having standard coins of the same metal, *i e*, the proportion of fine gold in the currency of these countries should be the same The English sovereign contains 11/12ths of fine gold so does the Turkish pound In the French 20-franc piece 9/10th are pure gold so are in the German reichmark The mint par between these countries can be calculated by the chain rule method It should be noted that there is no mint

par ready made in the ca e of gold and silver using countries such as England and India, but it can be calculated by using the gold price of silver or the uver price of go d a the case may be for any one day The mint par of exchange remain invariable so long as the mint aws regulated by the Government are unaltered.

*Gold Points* The object of using bills of exchange is to avoid the settlement of foreign accounts by the actual transmission of bullion or coins. The use of bills economize he high cost of transporting bullion. Thus, the price of foreign bills should not usually exceed the cost of transporting bullion because then it would be cheaper to transmit specie than to use bills Thu the two extreme imits of fluctuation in the market rate of xchange are called Gold or Specie Point These specie points tend to oscillate round the min par of exchange and the market rate of exchange is determined anywhere between the upper and lower go d points according to the aw of demand and supply of the bil The *upper specie point* is calculated at par value plus the cost of transmitting pecie and at this point a country will think of shipping gold instead of buying bills The *lower specie point* i ca cula ed at par value minus the cost of transmitting specie at which point a country will think of importing gold instead of selling bills If the price of foreign bills, due to excessive demand, becomes so high that the export of go d is a cheaper method of settlement than remittance through bills the price will automatically fal while if the price of such bills owing to a shortage of demand (or a large supply) goes so low as to render the import of gold a cheaper method of receiving payment, the price of the bill will automatically rise The Gold Points serve therefore a correctives of exchange The student shou d note that in the event of the rate exceeding the upper or lower gold point the debtors or creditors will not themselves begin to export or import gold. In actual practice the bullion

dealers take advantage of fluctuations in the rates of exchange, and export or import bullion as they think advantageous, and draw or accept bills of exchange against such consignments of bullion. When these bills are placed in the market at the existing rate the sellers or buyers make profits and the supply or demand of bills is adjusted to the demand or supply for them, so that the rate of exchange is brought to its normal point. Thus it will be seen that there is a close relation between the operations of bullion dealers and exchange operators in the capital market, and frequent reference to such operations will be made in the Exchange and Bullion Market Reports.

*Pegging*. When the rate of exchange is artificially maintained at a certain level by official purchases and sales, it is known as Exchange Pegging operation. If the exchange value of the currency falls below this (officially fixed rate or level, such as we find between rupee and sterling (Re 1=1sh 6d), the Government enters the market and buys the currency; if it rises the Government sells it. Thus the official rate is maintained in the Exchange Market.

*Spot Rates* are quoted for the ready delivery of exchange. That is, the currency of one country is exchanged now for the currency of another country. For example, a purchaser of Ready or Spot T. T. on London will receive in sterling an amount equivalent to what he has paid as purchase price, as soon as the cable reaches London.

*Forward Rates* refer to the future delivery of exchange. "*A forward contract in exchange is for* the conclusion of a spot transaction in exchange at a later date, fixed on the basis of the spot rate prevailing at the original date." A merchant can buy from or sell to a banker a foreign exchange at an agreed rate (*i.e.*, the prevailing spot rate) to take or give delivery at a future date. For example, an *Indian merchant buys goods from England*. The goods in the usual course of transit will take about fifteen days to arrive. The goods were purchased in terms

of British currency, and the Indian buyer will have to make payment in £ s d to the English seller The Indian merchant may not have cash at the time of contract or may not want to part with it before the goods are delivered But the exchange rates may fluctuate during these fifteen days, i e between the time of the contract to buy the goods and actual delivery So in order to protect himself against such future fluctuations in exchange rates, the merchant may buy a future contract in exchange That is, he will buy British currency now to be delivered at a future date at an agreed rate In like manner, the Indian exporter may sell sterling for forward exchange at an agreed rate that is he may sell British currency now to be delivered at some future date

Both Ready and Forward exchange transactions are conducted on a very large scale by exchange banks as hedging operations That is, an exchange bank hedges itself by buying or selling *ready*, and selling or buying *forward* When the banks make heavy sales of *ready*, the tone of the market becomes bullish, because after selling ready they have to cover their transactions by buying forward, thus raising the demand, and consequently the rates for forward exchanges Similarly, when the banks overbuy ready exchanges, they create a bearish tendency in the market, because they have to cover such transactions by selling forward exchanges on a large scale Thus an over supply, or pressure of sales, pulls down the rates of exchange in the forward section

*Arbitrage* When the dealers on the exchange undertake speculative operations for the purpose of realizing profits from differences in exchange rates ruling in two or more markets at the same time, these are called *Arbitrage Operations* They are conducted by banks and other financiers through the agency of their branches or allied financing institutions established in other markets For example, a dealer may take advantage of a temporary divergence between

the rate quoted in London for francs and the rate quoted in Paris for sterling, at a particular time any day, and buy francs in London (which may be cheaper in terms of sterling) and sell the same in Paris This transaction, when restricted to two markets, like London and Paris, is known as *Simple Arbitrage* When three or more centres are involved, the operation is termed *Compound Arbitrage* When a better rate of exchange can be obtained by purchasing a bill on a centre and selling it at a third, than by directly remitting it to the second, this is known as indirect exchange, and the rate produced by the operation between the purchaser's centre and the third centre where he sells is the *Arbitrated Exchange Rate* Sometimes, again, e g, a London banker may buy francs in London, with the francs he may buy a T T on Berlin through his Paris agent with the marks he may buy a T T on New York through his agent in Berlin, and finally with the dollars he may instruct his American agent to buy sterling This is a compound arbitrage operation, and as the funds are brought back to the centre from which the operation is carried out, the deal is known as *Circuitous Arbitrage* All these operations are very complicated and risky. They must be performed immediately and simultaneously on the wire because rates tend to fluctuate quickly, and in order to make profits the operator must act with considerable skill and the greatest speed at his command

*Stranding* When the exchange operators take advantage of abnormal differences in the rates of different classes of bills in the same market, and carry on arbitrage operations by selling one class of bills to purchase another, it is called Stranding. For example the Sight Rate in Bombay on New York may be quoted at Rs. 333, and 1m/st. bill rate at Rs 328. The rate of interest at Bombay is say 4 per cent. per annum. Therefore the New York Long Rate on Bombay would be Rs 333 minus charges for insurance, interest, stamp fee, etc which comes to Rs. 7/8 = Rs 325—8 to each

\$100 There is thus a disparity between the long rate and sight rate, and this will result in arbitrage operations The long rate is quoted higher by Rs 2/8 than the normal rate, therefore, whereas the holders of long bills in India are placed at an advantage in receiving Rs 328 for every \$100, the buyers will be at a disadvantage because they would be paying Rs 328, or Rs 2/8 more for every \$100 Therefore the holders will sell off their bills and by increasing the supply of such bills in the market tend to reduce their rates These sellers or holders may *play the bear,* because after having sold the long bill, they may wait till the long rate falls and then purchase again at a lower price If the price of long bills comes down to the normal long rate of Rs 325/8 the operators gain Rs 2 8 per \$100 The holders may also *play the bull* because they may purchase short bills with the sale proceeds of long bills anticipating a rise in sight rates when they can sell off their holdings of short bills and again purchase long bills at reduced rate These standing operations are very important in correcting the abnormal differences in the exchange rates of different classes of bills in the same market.

## INTERPRETATION OF MARKET QUOTATIONS

*Example 1*

(a) *Banks Selling*

| | |
|---|---|
| T T Ready on London | $1\ 5\frac{3}{16}$ |
| D D. Ready on London | $1\ 5\frac{1}{16}$ |

(b) *Banks Selling*

| | |
|---|---|
| O D on New York | $332\frac{1}{2}$ |
| O D on France | 630 |

*Comment* These quotations are taken from the Calcutta Exchange Report. They indicate the rates of exchange between Calcutta at London for buying remittances from the exchange banks In the first case the rates are quoted in sh and d because India quotes England in the latter's currency In the second

case the rates are quoted in rupees per 100 dollars and in francs per 100 rupees

*Explanation*

(a) *Banks selling T T on London* The exchange banks in India are accepting remittances from Indian importers for London creditors at the rate of 1s $5\frac{13}{16}$d. per rupee for immediate delivery i e, as soon as the cable reaches London In other words, for every one rupee paid in India 1s $\frac{13}{16}$d is secured in London, the charges for the cable being paid by the remitter The T T rate is the lowest, hence the dearest from the point of view of the buyer

*Banks selling D D on London* The purchaser of D D will have to wait for about two weeks before payment can be made by the banks in London The rate for D D is therefore higher and cheaper than the T T., the latter being more expensive because cable charges have to be paid on it Since the quotation of rate is in foreign currency, a higher rate is considered cheaper for the purchaser of D D In this case one rupee paid in India will secure 1s $5\frac{31}{32}$d after say two weeks in London

(b) *Banks Selling O D on New York* The banks in India are willing to sell Demand Drafts on the centres named above Since India quotes New York in rupees per 100 dollars, the banks at the present rate of exchange will sell drafts of 100 dollars each on New York at Rs 332[1] On the other hand India quotes Paris in francs to rupees one hundred, and at the quoted rates, the exchange banks will sell O D of 630 francs on Paris for Rs 100

The necessity of banks' selling O D on various centres arises from the fact that India's foreign trade gives rise to export bills drawn against her outward shipments These bills are dealt with on the Indian money market and are taken up by the Indian branches of different exchange banks Every bank tries to purchase bill drawn on the country of its origin In this case both the buyers and sellers are largely the banks

*Example 2*

(a) *Banks Buying*

| | |
|---|---|
| T T (spot) on London | 1s $6\frac{1}{32}$d |
| Sight on " | 1s $6\frac{3}{32}$d |
| D A 1m/st on " | 1s $6\frac{6}{32}$d |
| D A 3m/st on | 1s $6\frac{7}{32}$d |
| D A 6m/st on | 1s $6\frac{8}{32}$d |

(b) *Banks Buying*

| | |
|---|---|
| On New York 30 d/st | 398 |
| On Yokohama | 89 |
| On Java | 60 |
| On Canada " | 3 0 |
| On Paris " | 1300 |

*Comment* The export trade of India with Great Britain gives rise to export bills which are drawn upon London for payment The banks become the buyers of these bills at different rates according to the period for which the bills have to run for maturity There are also different rates quoted for bills drawn on different countries because all countries trading with India do not use sterling or the same currency In interpreting these quotations the student should remember that higher rates are cheaper if rates are quoted in foreign currency and dearer if quoted in home currency

*Explanation* (a) These rates are quoted for usance bills on London bought by the exchange banks in India Since India quotes England in foreign currency, the higher rates are cheaper and the lower dearer, and *vice versa* Therefore the rates for bills of longer period are higher and those for short bills lower Of these the six months sight bills are quoted at the highest rates and are the cheapest of the lot Notice should be taken also of the quotations for banks buying T. T and D D or Sight This shows that the sellers of sterling exchanges in the market are not only exporters and businessmen, but also other interests who possess large balances abroad, and the

banks are buying such exchanges to an appreciable extent

(*b*) Banks buying rates on different centres in India indicate that India has fairly large export trade with other countries besides Great Britain The exporters in India draw against their consignments on foreign purchasers and the bills are taken up by the exchange banks The above quotations are for bills drawn by India on New York and other centres at 30 days sight and the banks are prepared to buy these 30 Days Sight Export Bill at Rs 328 per $100 Rs 83 per 100 yen on Yokohama (Japan), and Rs 300 per $100 on Canada while in the case of Java and Paris which are quoted in India in their own currency the banks are buying at the rate of 66 guilders per Rs 100 and 1300 francs per Rs 100 respectively

MOVABLE AND FIXED QUOTATIONS

*Example 2*

| | |
|---|---|
| (1) New York—London | T T 4 85½ |
| (2) Shanghai—London | T T 2/6⅝ |
| (3) Japan—London | T T 2/10⅜ |
| (4) Bombay—Japan | T T 124½ |
| (5) Bombay—New York | T T 333¼ |
| (6) Bombay—Paris | D D 928 |

*Comment* We come across the above quotations, involving different currencies in the Indian daily papers All rates are quoted for Banks Selling Telegraphic Transfers, except in the case of Bombay on Paris, which is D D In interpreting these quotations, the students should find out whether they are *movable* or *fixed*

*Interpretation* The first three quotations may be read as follows —

(1) New York Banks are Selling T T on London at the rate of 4·85½ dollars for every *sterling*

(2) Shanghai Banks are Selling T T on London at the rate of 2s 6⅝d to one Chinese *Tael*

(3) Japan Banks are Selling T T on London at the rate of 1s $10\frac{3}{8}d$ to one Japanese *Yen*

Judged from the point of view of England, the first quotation in New York is *Indirect* or *Movable*, while the second and third are Direct or Fixed

The other three quotations represent the rates of exchange prevailing in India for T T on Japan and New York, and D D on Paris These are the rates at which the exchange banks are prepared to sell T Ts and D Ds on the centres quoted These quotations may be interpreted as follows —

(4) Rs $124\frac{1}{4}$ are exchanged for 100 Japanese Yens at the current rate

(5) Rs $333\frac{1}{2}$ are exchanged for 100 American Dollars at the current rate

(6) 9?8 Francs are exchanged for 100 Indian Rupees at the current rate

Examined from the point of view of India, the fourth and fifth quotations are *Direct* or *Fixed*, while the sixth is *Indirect* or *Movable*

OTHER EXCHANGE QUOTATIONS

*Example 4*

| | |
|---|---|
| (a) *Bank Cross Rates* | |
| London—New York | 40 |
| Paris—London | 17[illegible] |
| New York—Calcutta | 3 |
| Bombay—London | 1 5$\frac{31}{32}$ |
| (b) *The Banks Collection Rates* | |
| B C T T | 1 5$\frac{15}{16}$ |
| B C O D | 1 5$\frac{1}{16}$ |

*Comment* The above quotations are taken from the Bombay money and foreign Exchange Report All these rates are quoted in India The Bank Cross Rates are fully explained elsewhere When the rates of exchange between two foreign centres are quoted at a third centre, they are called cross rates from the

point of view of the third centre The B C rates are quoted by banks for collecting foreign bills, in case the importer does not buy a forward exchange contract at the time of ordering his goods

*Interpretation* (a) The Bank Cross-Rates ruling between London New York and Paris London are quoted from the point of view of India These rates may be called Sterling Dollar and Franc Sterling cross rates respectively The London New York cross rate was quoted at the exchange rate of 402 dollars for £ 100 while the Paris London was quoted at 172 francs for £1 It should be noted that the New York Calcutta cross rate of Rs 33 per $ 100, is quoted from the point of view of England whereas the Bombay London cross rate, of 1s $5\frac{31}{32}$d per rupee, is quoted from the point of view of America

(b) When a bank receives a foreign bill from one of its foreign branches for collection in the home currency, the rate at which it is collected is called B C or Bills for Collection Rate In other words, the B C Rate means the rate of exchange for discounting foreign bills received from abroad for collection in home currency This rate is fixed every morning by the exchange banks and is usually kept 1/32d lower than the open rate expected to be prevailing that day. The open rate may fluctuate during the course of the day, but the B C Rate is unchanged. The B C Rate is lower than the T T or D D rates, because it includes the bank's commission and other incidental charges Since this rate is lower than the rate quoted for D D or T T, it is dearer by about 1/32d on an average Any person who is liable to pay on such a foreign bill (i e, drawee) must either settle the rate of exchange by a *futures contract* which he had bought previously (i e he had already contracted beforehand to buy the required foreign exchange at a stipulated rate), or allow the bill to be collected at the B C rate For an importer the usual practice these days is to buy a future exchange when ordering his goods and thereby hedging protecting himself

## EXPLANATION OF EXTRACTS FROM FOREIGN EXCHANGE MARKET REPORTS

*Original 1*

*Practically no bills showing*[1] *i demand for remittance*[2] *altogether no business*[3] this would be a correct description of the current week s market in exchange

—*I Com, Rajputana*

*Comment* This is an extract from a Foreign Exchange Market Report It is the typical opening sentence of a report indicating at the outset the tone of the market The student should note what a compact and chiselled expression has been employed by the reporter to convey emphatically the essence of the market conditions In explaining this pice the beginner should understand how the volume and nature of foreign trade react on the rates of exchange, and how much the course of international trade controls the functioning of the Foreign Exchange Market It has already been explained that the exporters in foreign trade are creditors while the importers are debtors In the case of India, foreign bills are drawn in sterling and the Indian exporter is the holder and therefore the seller of sterling in the market The importer who has to make payment in sterling to British creditors is the buyer of sterling in the market The exchange banks acting as intermediaries, buy sterling bills from the exporters and sell sterling to importers Thus the supply side in the market is represented by exporters and the demand side by importers and the rates of exchange are largely controlled by the supply of and demand for exchange at any particular time If there are more sellers and fewer buyers the rate of exchange is unfavourable for the sellers and the business is dull If there are more buyers than sellers of exchange, the business is brisk and the rate becomes favourable to sellers If both the supply and demand for exchange is small the market presents a quiet appearance

*Notes.* 1. There are only a few export bills for sale The export trade seems to have been very small and therefore the exporters in India have few sterling bills to sell in the market This shows a small supply of sterling for exchange

2 There are few purchasers of Telegraphic Transfers to remit funds to London This again is due to lack of import trade Since the importers (debtors) are few, the demand for sterling in the market is negligible

3. In the absence of demand and also supply, the market indeed looks lifeless, that is, no business at all is passing and the tone of the market can safely be described as dull or quiet

*Explanation* This extract summarizes the atmosphere of the Foreign Exchange Market for the week under review. The export trade between India and England was very small, and, therefore, there were very few sellers of sterling in the market Purchasers of sterling remittances for London were also fewer because, owing to small import trade, the number of debtors in India was negligible As a result, the banks could neither purchase usance sterling bills on London from exporters, nor sell T Ts or D Ds to importers Business in the exchange market therefore could not be done at all The reporter sums up these conditions by saying that in the absence of demand and supply of sterling, no business could be transacted in the exchange market during the week

*Original 2*

*The rupee sterling exchange market*[1] *is almost starving*[2] for want of *export bills*[3] and *remittance enquiries*[4].

—*Commerce*

*Notes*: 1. That section of the Capital Market which deals in foreign exchanges, the exchange in this case being between rupee (India) and sterling

(London) The rupee sterling market is made up of exporters, who are the sellers of sterling, and the im porters who are the purchasers and the exchange banks ich act as agents for the transaction of this ex change business

2 Lacking supply and demand to such an extent that no business could be transacted. It also refers to a dull or quiet market

3 Sterling bills of exchange held by Indian ex porters for sale in the exchange market These con stitute the supply side The export bills are purchased exchange banks

4 Demand for purchasing remittances in the form of T Ts or D Ds from the exchange banks The Indian importers are usually the buyers of remittances and constitute the demand side in the exchange market

*Explanation* This extract is taken from the Weekly Report of the Bombay Foreign Exchange Market The reporter says that there is absolutely nothing of interest to report during the week under review The export trade has been dull and there fore very few exporters have any sterling to sell The import trade too seems to be much below the mark, as is evident from a lack of buyers of T. T. remittances in India Briefly stated, India s poor foreign trade with England made the exchange market dull and since the business of exchange banks was res tricted to the needy minimum, mostly on non commer cial account, the rates were unfavourable from the point of view of both the debtors and creditors in India

*Original 8*

During the week the dollar-sterling cross rate improved from 4 84 to 4 85 and London discounts from $5\frac{1}{4}$ per cent to $5\frac{5}{16}$

—*I Com Rajputana*

*Comment* This is an extract from the Bombay Weekly Exchange Report Two rates are mentioned

from 3 90 to 3 72 during the week The student should explain fully as to which country and group of traders this fall is beneficial or *vice versa*

*Explanation* During the week under review the New York market showed a downward tendency in the dollar sterling cross rates The rates quoted in dollars per £ declined from 3 90 to 3 72, or by 18 cents below the rates quoted on the opening of the week Viewed from the point of America a fall in the dollar sterling cross rate is favourable to the American importers of Indian goods, who make payments in sterling through London, as they would now be paying fewer dollars than otherwise That is, for every £ 1 paid by an American debtor, there will be a saving of 18 cents due to the fall in the rate There fore, the creditors in India are not willing to receive payment through London at the present, and are waiting till the rate rises again This unwillingness on the part of creditors to receive payment at low rates from American debtors has made the market considerably weak and dull

*Example 5*

Not only this but *Exchange Banks*[1] began *selling sterling*[2] somewhat *freely*[3] to Government at 1/5$\frac{7}{8}$ and appeared to be building up a slightly *oversold position*[4] thereby This latter increased as fears became more acute that *Government would raise their buying rate to 1/5$\frac{29}{32}$*,[5] and there is no doubt that Banks finally built up an oversold position rather than risk having to sell at the higher rate, when funds were actually required General *steadiness continued*[6] and upwards of £ 2 million was sold to Government.

—*I Com U P*

*Notes* 1 Those Banks which specialize in the business of exchanging foreign currencies

2. The banks began to sell sterling remittances in the form of T T or D D, in India or London

3 In large amounts, that is, the banks did good business in selling remittances on England at the rate quoted

4. In practice the sale of sterling by the banks is covered by its purchase Whenever the banks sell more sterling than they can purchase, or the amounts of their balances held abroad justify or permit, they are said to have built up an oversold position.

5. The Government, which is at present the principal purchaser of sterling, would raise the exchange rate from 1s $5\frac{7}{8}$d, to 1s $5\frac{29}{32}$d, i e by $\frac{1}{32}$d per rupee, which will result in a loss to the banks

6 The present rate of exchange was maintained, that is, there was no change in the sterling-rupee rate during the week

*Explanation* The exchange banks did very good business by selling large amounts of sterling in the form of T. T s *to the Government at the rate of* 1s $\frac{7}{8}$d to the rupee In their keenness to transact heavy business, the banks were led into an awkward position of slightly overselling their accounts i e, they had sold a little more than what they could easily have met by their cash balances held with other banks in England, or covered by making purchases of sterling bills in India But the banks overlooked their oversold position and continued to press sales further, because they were afraid that the Government might raise the rate of exchange from 1s $5\frac{7}{8}$d to 1s $5\frac{29}{32}$d, or by $\frac{1}{32}$d when funds were actually required In other words, the banks did not mind overselling their accounts at the present and making sales at a lower, and therefore profitable, rate of exchange, for if the Government raised the rate to 1s $5\frac{29}{32}$d, the banks would have had to sell sterling at a loss of $\frac{1}{32}$d per rupee Thus the banks chose to act as stated above as a matter of policy, and although they built up an oversold position by selling sterling without ample cover, they nevertheless avoided the risk of selling at a higher, and, therefore, dearer rate of exchange

*dollars*[1] *Wall Street*[2] was not *disturbed*[3] by the *weakness*[4] of commodities.

—*I Com, Bombay*

*Hints* 1 The exchange value of sterling was low in terms of francs and dollars

2 The Money and Stock Exchange Markets, localized in the Wall Street section of New York America, are known by the place of localization.

3 Adversely affected or influenced.

4 Downward tendency of prices in the commodity market

*Questions* (1) Explain the meaning of sterling-franc and sterling-dollar exchange

(2) What is the relation between commodity prices and rates of exchange?

*Exercise 3*

*Important remittance*[1] has been *small and sporadic*[2]. No changes have been made in any sterling rates for bills of remittance. Banks are sellers of T. T. at 1s $5\frac{31}{32}$ d. *ready up to six months*[3] ahead, and buyers of three months D A. Bills at 1s $6\frac{1}{32}$ d first month, 1s $6\frac{1}{8}$ d second month, 1s $6\frac{5}{32}$ d third month, and 1s $6\frac{3}{16}$ d for fourth month for forward *All other differences for other usances are unchanged*[4]

—*The Statesman*

*Hints* 1 Purchases of T Ts. and D.Ds by Indian importers of British goods

2 Business has been irregular, i.e., in small odd lots

3 Rates for the ready delivery of T T., and also for forward deliveries ranging up to six months

4 The rates for all other term bills are the same as quoted in the previous report.

*Questions* (1) Rewrite the above passage in your own language

(2) Why is there a difference between banks' selling and buying rates for T T ?

(3) Give reasons for the diminution in banks buying rates for usance bills of longer maturity

*Exercise 4*

The Exchange market has been firm during the week with *buyers holding off*[1] until more attractive rates are offered Trading has been featureless *with some export bills showing*[2] and remittance about normal *Tea drawings have been on the small scale*[3] and there has been no gold business reported

Rates are unchanged as follows Banks sell against *Bills for Collection 1s $5\frac{29}{32}$d*[4] and remittance 1s $5\frac{15}{16}$d up to six months ahead and on Demand at the same rate Banks buy T/T 1s 6d up to six months ahead 3 months D/A bills 1s $6\frac{7}{32}$d for the first two months 1s $6\frac{1}{4}$d for the third month and 1s $6\frac{9}{32}$ d for the fourth month D/P bills $\frac{1}{32}$d higher Rates for bills drawn under all other *usances*[5] are unchanged Banks sell Dollars $333\frac{1}{4}$ Ready T T or on Demand

— *Capital*

*Hints* 1 The buyers of exchange are waiting for more favourable rates before making transactions

2 The supply of sterling export bills was not great

3 Very few exporters have drawn bills against their tea consignments to London hence the supply of sterling bills was small

4 Foreign bills passed on to the exchange banks for collection at a rate of exchange fixed by the banks and known as B C Rate

5 The period for which a bill has to run i e the period of currency of a bill drawn between two countries

*Questions* (1) Explain with appropriate illustrations the effect on the foreign exchange market of "*buyers holding off*" and "*sellers looking on*"

(c) The accounts of banks of one country maintained in the banks of another country, i.e., balances of cash and credit held by foreign banks in the name of their creditor banks. Thus an Indian bank may hold a cash balance in the Bank of England.

*Questions* (1) Foreign exchange is the barometer of the foreign trade of a country. Comment.

(2) What is the effect of *balances held abroad* on the exchange market?

(3) Write in simple language the substance of the above passage and give a title to it.

ADVANCED EXERCISES WITH GUIDE QUESTIONS

*Exercise 1*

Calcutta, 29th November

There was no change to report in the condition prevailing in the *rupee sterling exchange market* during the period under review. For *inter bank business* sellers of Spot T T on London quoted 1s 5-63 d and buyers 1s 6d. *Market rates* fixed by the Exchange Banks' Association were unchanged as under:—*Sellers of T T on London* (Spot and up to six months) 1s 5-31/32d. *Buyers of T T on London* (spot and up to six months) 1s 6-1/3 d.

*In New York sterling was fixed at 403 ½ cents throughout the week.* Quotations for the Shanghai dollar have not been available since the occupation of the International Settlement by the Japanese early last week.

*Questions* (1) Explain fully the italicized portions.
(2) Rewrite the first paragraph in your own language.

*Exercise 2*

Opening foreign exchange:—

BC rate TT and DD 1/5-15 15

**London**—Banks selling TT and DD 1/5-31/32 buying TT 1 6 1/32 DD 1/6-3 32 buying 3 months sight

1/6 9/32 (2 months) buying 3 months sight 1/6 5/16 (next 3 months) buying 3 months sight 1/6 5/16 (four months)

NEW YORK—Banks selling T T and D D 332¾ buying T T 29[1] and D D 327[1]

MONTREAL—Bank selling T T and D D 302½ buying T T 297¼ D D 9?¾

JAVA—Banks selling T T ?¼ D D ?6 buying T T 7½ and D D 58

BERNE—Bank selling T T 1 ?¾ D D unquoted buying T T 131[1] D D unquoted

STOCKHOLM—Banks selling T T and D D 12? buying T T and D D 128

SINGAPORE—Banks selling T T and D D 158 buying T T ?5? and D D 154½

HONGKONG—Banks selling T T 8?½ D D 84¼ buying T T 81¼ and D D 81

MAXICO—Banks selling T T 67 27 D D 67 27 D D 66 ?? buying T T 63 04 D D 62 04

LISBON—Banks selling T T and D D 73 5 buying T T and D D 7 55

TONE—Steady

*Questions* (1) Give a clear and detailed interpretation to the above quotations

(2) Find out the tone of the Exchange Market from the rates quoted for Banks Selling and Banks Buying on London

*Exercise 8*

To tone of the Rupee Sterling market continues to be steady Just previous to the holidays *remittance in fair quantity was appearing regularly*, but this has now subsided Immediately upon the re opening of the market *export bills were placed*, but this item has also dwindled since The appearance of exports is spasmodic and is closely linked with the allotment of freight, whenever that takes place In the Inter-bank

for Collection 1s $5\frac{15}{16}$d and remittance 1s $5\frac{31}{32}$d up to six months ahead, On Demand at the same rate Banks buy T T at 1s $6\frac{1}{32}$d up to six months ahead, 3 months D/A bills 1s $6\frac{1}{4}$d for the first two months and 1s $6\frac{9}{32}$d for the third and fourth month D/P bills $\frac{1}{32}$d higher Banks sell dollars $332\frac{3}{4}$ $332\frac{1}{2}$ Ready T T or on demand, and buy T T $329\frac{1}{2}$ 4 months' bills against letter of credit are unchanged at $329\frac{1}{2}$

The money situation is unchanged Renewals are being granted, but fresh money is very difficult to place and inter bank call is unlendable

Union Bank Rates are unchanged as follows — Call and short term $\frac{1}{4}$ per cent, one to four months $\frac{1}{2}$ per cent Reserve Bank rate remains at 3 per cent

*Questions* (1) Give the substance of the above report, and suggest a suitable title

(2) Write short notes on Dollar and Sterling Export Bills, Cross-Rates, Inter-Bank Market and Reserve Bank Rate

(3) Make a list of the technical words and phrases in the above report and explain them

*Exercise 5*,

Wednesday Evening, 15th October.

*The strength of gilt-edged* continues to be the one noteworthy feature of a market that is otherwise devoid of interest Prices have fluctuated within exceedingly *narrow limits*, and less cheerful war news has had hardly any effect upon the *bond market* The Exchange market has been extremely dull during the week Both import and export business have been on a very restricted scale, and there has been no feature of note except the *placement of some dollar bills against export to America* The inter bank market reflects the general lack of trade and is dull and lifeless There are very occasional buyers under the Government rate of 1s 6d On the other hand *there is no pressure to sell, and transactions are few and far between* The position with regard to dollars is unchanged The

preponderance, in the market, of export business over import continues and owing to the lack of buyers *banks have to take their cover from the control*

Rates are unchanged as follows —Banks sell against *bill for Collection* 1s $5\frac{15}{16}$d and remittance 1s $5\frac{31}{32}$d up to six months ahead on Demand at the same rate Banks buy T T at 1s $6\frac{1}{32}$d up to six months ahead months D/A bills 1s $6\frac{1}{4}$d for the first two months and 1s $6\frac{3}{32}$d for the third and fourth months D/P bills $\frac{1}{32}$d higher Banks sell dollars $332\frac{3}{4}$/$332\frac{1}{4}$ Ready T T or on demand and buy T T $329\frac{1}{2}$ 4 months bills against letter of credit are unchanged at $326\frac{1}{2}$

*Questions* (1) Explain fully the italicized portions

(2) Summarize the above report and give a title to it

(3) Give an interpretation to the rates quoted in the last paragraph of the report

*Example 6*

Wednesday Evening 24th September

It has evidently been judged that the market is now steady enough to justify an increase in exchange rates From Wednesday all banks sterling buying and selling rates for merchants have been increased by $\frac{1}{32}$d, with the exception of bills of all usances for delivery the fourth month forward which remain unchanged Dollar rates both buying and selling are also reduced by annas 8 with the exception of bill rates which are unchanged for all usances

The firmness in the exchange market continues Sterling export bills have been in evidence and a fair weight of dollar bills has been placed Tea drawings have been about normal for the time of year On the other side of the book there has not been much demand for remittance by importers The volume of business noted in the inter bank [illegible] has been small Buyers at anything under the Government rate of 1s 6d are few and far between The occa

sional appearance of such buyers for the ready position constitutes the only business passing.

Rates are as follows —Banks sell against bills for collection $5\frac{31}{32}$d and remittance 1s $5\frac{31}{32}$d up to six months ahead, on Demand at the same rate Banks buy T T at 1s $6\frac{1}{32}$d up to 6 months ahead, 3 months D/A bills 1s $6\frac{1}{4}$d for the first two months and 1s $6\frac{1}{32}$d for the third and fourth month D/P bills $\frac{1}{32}$d higher Banks sell dollar $332\frac{1}{4}$ to $332\frac{1}{2}$, Ready T. T. or on demand and buy T. T. $329\frac{1}{2}$, 4 months bills against letter of credit are unchanged at $326\frac{1}{2}$

*Questions* (1) Pick out the technical terms and expressions in the above passage and explain them.

(2) Write short explanatory notes on Dollar Rates, Usances, Sterling Export Bills, Government Rate, Ready Position.

(3) Make a *precis* of the above report and suggest a title and a sub-title to it

CHAPTER XIII

# STOCK EXCHANGE REPORTS AND PROGRESSIVE EXERCISES

The Stock Exchange like the Money and Foreign Exchanges, is a section of the Capital Market But, whereas the money market caters for short term loans and finances, the Stock Exchange provides facilities for long term investments and movements of capital The stock Exchange may be described as an organized market for the purchase and sale of all kinds of securities representing long-term investments

Stock Exchanges are found in all big industrial and commercial centres and the organization of their business is much on the lines of other Capital markets The stocks and shares market is constituted of stock-brokers, jobbers, dealers, clearing houses, and the public all of these need not be members of the organization A *stock broker* is usually not a member of the stock exchange He acts as the agent of a buyer or seller of shares. He acts for the general public or for another agent, and his remuneration is the brokerage paid by those for whom he has bought or sold. The *jobber* does not act as an agent, but as a principal, and deals in his own name He does not necessarily possess what he sells, or take delivery of what he purchases, for his operations are of a speculative nature His profits therefore constitute the difference between the buying and selling prices These operators are necessarily members of the Stock Exchange *Dealers* are the holders of securities, and may or may not be members The importance of Banks Clearing Houses in squaring up the deals and settlements of business transacted on the Exchange is obvious The members of the public, who want to

make investments or dispose of their holdings for transferring their capital, are not members of the exchange, but act through the brokers

Only such securities are dealt in on the stock exchange as possess the quality of marketability, *i e* the quality of being sold or turned into cash at short notice This is advantageous both to the investors who can convert their holdings at will and those who seek to raise capital by such securities on more favourable terms These securities are documents which are given as acknowledgment for borrowings and their possession is the legal proof of ownership They are also negotiable, *i e*, the ownership can be transferred in good faith by endorsement and delivery The marketable securities consist of groups of securities which are classified in order of stability and soundness to enable the members to transact business readily, and to guide the public to make investments with confidence.

*First Class Government Securities* These represent loans issued by governments such as the Central, Provincial, Corporation, Port Trust, Municipality, Colonial, and the British Government Government Securities are comparatively the safest for the investors and are therefore called *First class* or *Gilt edged* They are sound both in regard to the repayment of capital and the distribution of dividend or interest Typical examples of such securities are British Consols, India Stock, Victory Bonds, etc, quoted in London Markets and Government Paper, Bombay Port Trust Bonds, Rupee Paper, Howrah Bridge Debentures (Port Bonds), Defence Loan, Conversion Loans etc., appearing in Indian Stock Exchange

*Trustee Securities* This group represents the *Semi Gilt edged Securities* which are offered by Government Banks, Public Utility Companies Insurance Companies, and other stocks or debenture guaranteed by the Government These securities also provide safe investment because Government control or

guarantee lends strength to their stability in comparison to those offered by private undertakings. Some examples of such securities are · Reserve or Imperial Bank Shares, Railway Debentures Calcutta or Bombay Trams Insurance Company Shares, and Electric Companies Shares and Stock.

*Ordinary Market Securities.* This class comprises different forms of capital issued by joint stock companies in the form of shares, stock (which is of the same nature as fully paid-up shares), debentures and debenture-stock These securities are known by the terms *Industrials*, *Equities*, *Scrips*, etc. In comparison to Gilt-edged and Semi-Gilt-edged securities, these are considered of lesser stability and soundness from the point of view of the investor, and are therefore classed low on the list Examples are stocks and shares of textile mills, sugar mills, steel manufacturing companies, tea plantations, transport and shipping agencies, mining and fishing concerns, etc

Stock Exchanges are found in India at Bombay, Calcutta, Madras, Cawnpore, Delhi and Lahore, the first two being of international importance In Europe, a stock exchange is known as a Bourse, and combines all the functions of a complete Capital Market London and New York have the largest stock exchanges of the world The organization of some of the most important exchanges is briefly described below —

*Bombay Stock Exchange.* The Native Share and Stock Brokers' Association of Bombay is the largest futures market in India It has 451 members, each depositing Rs 10,000 as security All transactions are done between the members only, but a member is allowed to deal with an outsider as a broker. Settlement is made on a monthly basis by the payment of differences through a clearing house. The principal classes of securities dealt in on the Bombay Stock Exchange are Government Gilt edged securities, stocks and shares of Cotton mills, Insurance companies, Railway companies, Hydro-Electric Installa-

tions, Engineering and Shipping companies Banks, India Radio, Burmah Petrol, Dyeing companies etc

*The Calcutta Stock Exchange Association, Ltd*, is a joint stock company with a share capital of three lacs of rupees, divided into 300 shares of Rs 1,000 each The members and their agents alone are allowed to transact business in the Exchange All transactions are done on a cash basis, and all deals are to be completed by actual delivery and each payment on the second day of the contract Forward transactions are also allowed but options are forbidden The system of paying differences in prices often leads to gambling All contracts are made between members Share transactions are done in lots, *i e*, delivery in lots of 5 shares for Rs 500 paid-up shares, 25 shares for Rs 100 paid up shares, and 100 shares for Re 1 to 25 paid-up shares Government Securities must not be delivered in lots of more than Rs 25,000 Strict rules are observed for prompt delivery and payment, and members are prohibited to give any information regarding prices of stocks and shares ruling in the exchange for publication The securities usually dealt in on this exchange are —Government Giltedged and Semi Gilt edged Securities, preference shares and stocks of Railway, and Mining companies, shares of jute mills, oil mills, tea industries, chemicals, paper, sugar and steel industries

*The London Stock Exchange* is the largest and the most important stocks and shares market of the world There are two types of members, *i e*, brokers and jobbers. The former buy and sell for the public, whilst the latter are members who cannot deal directly with the public, nor can they enter into partnership with brokers Transactions are "*for cash*" *i e*, the actual delivery of securities for prompt payment, or *for account*, in which case settlement is postponed to some future date which is usually a fortnight The following securities are commonly dealt in —Government Paper, British Consols, India Loans, Home and

foreign Rails, Bengal Steel Corporation, Home Industries, Shipping Companies etc

*The New York Stock Exchange* is a private association of 1375 members who can act either in the capacity of brokers or traders (or both, a practice not found in London or in any Exchange in India) The broker is entitled for his remuneration to brokerage alone, but a trader is allowed the profit realized on a deal, which is the difference between the buying and selling prices A *trader* on the New York Exchange is like the *jobber* on the London Stock Exchange When a broker acts through another broker he is called an *under broker* and is entitled to a brokerage of $1 per 100 shares All transactions are settled daily The business done is largely in American Stocks and shares *e g* General Motors Anaconda Copper, U S Steel Corporation etc

## SOME COMMON STOCK EXCHANGE TERMS AND PHRASES

*Bearer Securities* are those which are freely transferable by mere delivery They pass from hand to hand without registration in the books of the issuing body, and possession is legal proof of ownership Such securities are Bearer Bonds, Share Warrants and Bearer Stock

*Registered Securities* The owner of such securities holds a certificate of title or ownership, and when he sells, he fills in a *transfer deed* in favour of the new owner. Until the old certificate is cancelled in the books of the issuing body, and a new one issued in the name of the transferee, the title does not pass to the purchaser.

*Inscribed Stock* Sometimes banks undertake the issue of gilt edged and semi gilt-edged securities They do not issue any certificate of ownership to the purchasers The proof of ownership is merely the fact that the name of the holder is inscribed in the books of the bank which acts as the registrar of the

stock. When such stock is sold, only entries are made in the books of the bank, and the transference of ownership is made without actually applying to the issuing body. Dividend is paid to the holder by means of dividend warrants.

*Inter-Bourse Securities.* In continental countries a Bourse is known as a Stock Exchange. Securities the issue of which was made in more than one country, are quoted in several important Exchanges of the world and are known as inter-Bourse securities.

*Counters of Issue.* These terms are used for all classes of shares issued by joint stock companies, such as preference, ordinary, or deferred shares. These are listed as belonging to fairly good concerns and are therefore preferred for investment purposes.

*Equities or Units.* The shares and stock of ordinary industrial companies are classed very low on the list, and are not considered very sound for investment. These securities are subject to much speculation.

*Industrials or Descriptions.* The shares of industrial companies are generally known as *industrials*. Those of the Electric Supply Companies, are called *Electrics*, of the Engineering Companies, *Engineerings* or *Engineering Descriptions*, of the Jute Mills, *Jutes*. Thus we have *cottons, coals, dyeings, port shippings* etc.

*Stock.* All kinds of fully paid up shares, debentures and bonds, dealt in on the Exchange, are known as Stock.

*Scrip* is an acknowledgment for the payment of application and allotment moneys for shares of industrial companies. The holder of *scrip* certificate is the owner of partly paid-up shares, which can be sold on the stock exchange. The scrip has now come to be recognized as a security representing ordinary shares on which a certain amount has been paid. It should never be used in the sense of *Stock*.

*Dollar Scrip* When the capital of a joint stock company is floated and subscribed in dollars, the shares are known as *dollar scrips* on the Indian Stock Exchanges, *e g*, the shares of East Indies Rubber Plantations

*Rupee Paper* There are loans of the Government of India floated and subscribed in the London Money Market and quoted on the London Stock Exchange They are also known as India Sterling Loans

*Investment Securities* represent that class of securities which are sound from the point of view of the public They do not show much fluctuation, and one of their principal features is stability of value over long periods They are much in demand by the general public who want to invest their capital over long terms for a steady income Such securities are either *gilt edged*, *semi gilt edged* or the stock of first class industrial concerns These securities are good for investors and not for jobbers, and the demand of the public for such securities is called *Investment Demand*

*Speculative Securities* are those which are subject to heavy speculative business because a slight rise or fall in price results in a heavy decrease or increase in the demand for it They are not good from the point of view of the investors, but are the chief sport of the jobbers Speculative business is done almost in all classes of securities, but it is done more particularly in the shares of seasonal industries, the shares of industries producing articles of luxury or stocks of mills placed low on the list of the stock exchange The demand of the speculators and jobbers for these securities is known as *Speculative Demand*

*Par Value* The amount of security stated on the face of it It is also called Face or Nominal value, *i e*, the value or the original rate at which the security is issued Thus the *par value* of a share, issued by the company at Rs 100, is Rs 100 fixed

*Market Value* is the price of a security quoted

on the stock exchange This price constantly fluctuates according to the demand and supply of it If the price falls below the *par value* it is said to be at a *discount* if it rises above the par value it is at a *premium* The rapid rise in the market price of a security is called a *boom* while a sudden fall is known as a *slump*

*Tape Price* On the desks of jobbers in the Exchange a machine operates which constantly issues out a tape (or strip of paper) printed with the prices deal for deal as they are quoted in other markets This machine is called a teleprinter It is operated by electricity on the same lines as the telephone or radio It helps the jobber to make simultaneous transactions in different markets of the world

*Street Price* The buying and selling of securities is often carried on after the regular business hours of the exchange The price quoted outside the House or the price at which securities are bought or sold after the Exchange is closed for the day, is called *street price*

*Cum Div* (*c d*) This abbreviation stands for *cum dividend,* and indicates that the price of security includes the dividend or interest accrued on it The purchaser of this security can claim full amount of dividend since its last payment from the issuing company even though he may have bought it a few days before such dividend became payable The *cum dividend* or *with interest* price is known as *Flat Price* on the London Stock Exchange

*Ex Div* (*x d*) This abbreviation stands for *ex dividend* When the price of a security is quoted *x d*, it implies that the buyer is not entitled to receive the interest or income accrued on the security even if he had possessed it before such claim became due The right to enjoy the dividend remains with the seller The terms Ex-Coupon and Ex-Interest also carry the same meaning

*Ex New* (*x n*) An ex new price debars the pur-

chaser or holder of a security from the privilege of converting it into a new one in the same company i e the holder cannot subscribe for a new share in exchange for the old one if the former is available at a lower price than the market value of the latter

*Ex All* The buyer of a security does not enjoy any privilege other than its ownership All rights or claims to dividends or interest attached to the security remain vested in the seller Such price is also known as *ex rights*

*S O L (s l)* When small business is done at a certain price in any one class of securities it is expressed in terms of *small odd lots* or *small lots* A slight difference should be marked in the use of these abbreviations s l indicates that the total volume of business done on any day or within any specified period has been small and it is therefore not an index to the tendency of prices while s o l indicates small and sporadic transactions made during the business period and therefore it indicates an irregular state of the market The attachment of these terms to price quotations however should be taken by dealers with caution

*Underwriter* When a broker in consideration of a commission undertakes the sale of shares in the market or guarantees the subscription of a fresh loan by the public, he is known as an *underwriter* It should however be noted that if the entire amount of capital guaranteed or undertaken by the broker is not subscribed within the stipulated period, the underwriter has to make good the deficiency himself by purchasing the unsubscribed number of shares or by advancing the unsubscribed portion of the loan

*Stag* When a speculator applies for shares in a new issue which he expects will be over subscribed with the hope of selling out at a premium to unsuccessfull applicants, he is known on the stock exchange as a *stag*

*For Cash* When the actual delivery of the secu

rities is taken and payment is made for them immediately on the conclusion of the transaction, it is known as a deal *for cash*. Certain classes of investment securities appear in the stock exchange reports under *Cash List*, and are usually meant for ready business.

*For Account*. When a deal is not settled *for cash* or *ready*, and is postponed til the arrival of the next account or settlement day, it is said to be *for account*. Securities generally of speculative nature, appear in stock exchange market reports under *Forward List*, and are meant for futures business.

*Settlement Day*. Forward business on the stock exchange is settled usually on prescribed dates fixed by the Exchange. A Settlement Day may be fixed fortnightly or monthly accordingly to the practice of different exchanges. The settlement lasts for three days. The first day is called *Continuo Day* or *Making up Day*, when the parties decide whether the business is to be closed for cash or postponed for the next settling day. If the buyer desires this postponement, he has to pay a charge known as *Contango* to the seller. On the other hand, if the seller fails to deliver the goods and postpones the delivery to the next settling day, he has to pay a charge called *Backwardation* to the buyer. The second day of the settlement is called *Name Day* or *Ticket Day* when the names of purchasers and sellers are handed in, and the broker's receipts for stocks and shares are delivered. The third, or the last, of the three periodical settling days, is called *Pay Day* or *Settlement Day*, when money is paid and stocks and shares delivered.

*Carrying Over*. Sometimes a transaction is not settled on the appointed date and the buyer or seller may ask for the transaction to be carried over to the next settling day. For example, a buyer of securities may require postponement until such time as he expects to be able to provide funds for payment, or a seller may not find himself in a position to deliver

stocks that he has contracted to sell and may therefore seek relief by postponing the delivery Such po tponement of transactions from one settling day to another is known as *Carrying Over* or *Budlee* These postponements are most common in forward business and are considered legitimate operations having nothing to do with peculation

*Makinjup Price* The stock exchange fixes a price for such securities as are to be carried over This is known as the *mak n j up price* Differences based on this price are either paid to or received from the broker at the time of carrying over

*Yield* The one important object of purchasing securities on the stock exchange is to derive income from such investments What really matters is not the gain or loss resulting from the market price of securities at which they are purchased but the percentage of income actually derived in the form of interest or dividend in proportion to the amount thus invested For example the nominal value of a security which carries 5% interest p a may be Rs 00 and its market price Rs 100 If the security is purchased at Rs 100 the real yield will be Rs 5 But the market price may rise or fall and therefore the proportion of yield may also vary accordingly If the security is purchased at the market price of Rs 75 the yield will be $6\frac{2}{3}$ per cent (or Rs 6 10 8) while if the security were purchased at Rs 125 the yeild would be 4 per cent (or Rs 4 only) Since the interest or dividend is calculated on the face value or nominal price of the security the yield will be *higher* if the security is purchased at a market price lower than the nominal price and *lower* if purchased at a higher market price

INTERPRETATION OF STOCK EXCHANGE QUOTATIONS

*Example 1*

GOVERNMENT SECURITIES (BOMBAY)

(a) $3\frac{1}{2}$ p c Government Paper Rs 87 1 s l

(b) 3 p. c. Defence Loan (1946) Rs 101-10, 101-10.
(c) 5 p. c. U. P. Bonds (1944)... Rs. 102-6, 103, 102-13.
(d) 3 p. c. Loan (1945-58) ... Rs. 104-9, Quiet.
(e) $3\frac{1}{2}$ p. c. Conversion ... Rs. 96-12 s lots.

*Comment*. These are official quotations for first class (Gilt-edged) securities on the Bombay Stock Exchange. They represent the various types of loans borrowed by the Central or Provincial Governments, and show the rates of interest they carry and also the year in which they are repayable. The rates quoted are usually the closing ones, but the opening and the highest-of-the-day rates are also quoted to indicate the trend of market prices.

*Interpretation*. (a) The Government of India securities bearing an interest rate of $3\frac{1}{2}$ per cent per annum were quoted at Rs. 87-1. The face value of these securities was Rs. 100 each, and therefore the present market rate is quoted at a discount. Since the price was not very attractive, only a small amount of business was done in this section, and therefore the market was dull.

(b) The Defence of India Loans, of the par value of Rs. 100 each, carrying a rate of 3 per cent. were quoted at Rs. 101-10. These loans are redeemable in 1946. The opening and closing prices are the same, i.e., Rs. 101-10, which indicate the steadiness or maintenance of prices. This means, business in this section was normal, there was no fluctuation in prices and therefore the market was steady.

(c) The United Provinces Government Loan which carried an interest rate of 5 per cent, and was repayable in 1944, was dealt in at different rates. The opening, the highest of the day, and the closing quotations are Rs. 102-6, 103, 102-13 respectively. A study of these rates will at once indicate that the market opened dull, but on account of some bullish factor, the price advanced to Rs. 103. This increase was not permanent, therefore the rate declined to

Rs 10 13 On the whole, however, the rate improved by 7 annas over the opening quotation. This upward tendency is the forerunner of good business on the next market day

(*d*) The 3 p c Government Loan repayable during the years 1945-58 was quoted at Rs 104 9 This was not an attractive investment for the public, because other new loans of higher rates of interest were at the moment available in the market In the absence of demand no business was transacted in this section and the price was low Such conditions do not show any good prospects of business

(*e*) The Government of India's New Conversion Loan was floated to enable the holders of old securities, which are now maturing, to re invest their funds, but it did not elicit a good response from lenders This Security of the nominal value of Rs 100 was selling at Rs 96 12, and business was being done in small lots In the absence of a good demand, the rate is below par, and the market has assumed a dull colour

*Example 2*

DEBENTURES AND INVESTMENT SECURITIES (CALCUTTA)

| | |
|---|---|
| (*a*) $5\frac{1}{2}$ p c Dalmia Cement (1947) | Rs 104 8 ex div |
| (*b*) $4\frac{1}{2}$ p c Hukumchand First Mortgage (1947) | Rs 103, 103 1 |
| (*c*) $5\frac{1}{4}$ p c Hukumchand, Second Mortgage (1947) | Rs 102, odd lots |
| (*d*) 6% Allahabad Bank (fully paid cum pref) | Rs 151 8 buyers |
| (*e*) 7% Bengal Telephone corporation (pref) | Rs. 11 12 Quoted |

*Comment* These are quotations for certain sound investment securities from the Calcutta Stock Exchange Report Although not the best these securities are largely in demand for investment, and are considered comparatively more secure than the shares of or-

dinar industrial companies Debentures are loans to joint stock concerns and are secured by mortgage of the company's assets They provide a fixed income and are preferred by the investing public to ordinary shares

*Interpretation* (a) The debenture of the Dalmia Cement Co bearing an interest rate of $5\frac{1}{2}$ p c and redeemable in 1947 were dealt in at Rs 104 8 This rate is quoted for each fully paid up stock of Rs 100 It does not give to the purchaser the privilege of receiving any dividend accruing after the deal There is not much demand for this class of securities and the tone of the market is not bright

(b) Transactions in the Hukumchand Jute Mill debentures, of the face value of Rs 100 each and bearing $4\frac{1}{2}$ p c interest were concluded at a premium i.e., Rs 103 These debentures were repayable in 1947 and had the first claim on the property of the company in the event of its being wound up The opening rate was Rs 103, but the closing rate was one anna higher (i.e Rs 103-1) which indicates a slight improvement in the demand for this class of securities Although the advance in prices is not very great, the tendency seems to be favourable for good business in the future

(c) The $5\frac{1}{2}$ per cent. debentures of the Hukumchand Jute Mills, which had a second claim on the assets of the company changed hands at Rs 102 These debentures were also repayable in 1947 Only a small and sporadic business is reported in this section. This is due to lack of demand The market is not healthy

(d) The fully paid up preference shares of the Allahabad Bank Ltd., which carried a fixed rate of 6 per cent. dividend were transacted for Rs 151 8 The shares were cumulative preference i.e the purchaser had the privilege of receiving all dividends which may have accumulated to date at the above rate, or that may accumulate in future One advantage of such shares is that in case the Bank cannot declare

dividends in any lean year, the holder can claim it next year or whenever the Bank s finances permit The term buyers attached to the rate indicates that there were more buyers than sellers, or the demand exceeded the supply, hence a rising tendency

(e) The preference shares of the Bengal Telephone Corporation, of the face value of Rs 10 each and carrying a dividend of 7 per cent, were quoted at Rs 11 12 The term 'Quoted indicates a quiet market, i e, there was not much demand for these shares and consequently the prices were low, and at this level business was at a standstill It may therefore be concluded that the prospects of business in this section are not bright

*Example 3*

SPECULATIVE SHARES SECTION

| | |
|---|---|
| (a) 8 p c Elgin Cotton Mills (Pref) | Rs 182, 183 2 |
| (b) 6 p c Tata Steel (1st Pref) | Rs. 205 ex div |
| (c) Bengal Coal Co (Ord) | Rs 387, 387 1. 386-14, 387 |
| (d) Teesta Valley (Ord) | Rs 26 12 done |
| (e) Bengal Potteries (Defd) | Rs 6 8 c div |

*Comment* These are miscellaneous securities taken from the Bombay and Calcutta Stock Exchanges The quotations in all cases are *forward* It has already been mentioned that speculative securities are largely taken from the Industrial group of shares and stocks The above securities appear usually in the *forward list* of the Stock Exchange and are subject to much speculative transactions Considerable changes in the demand and supply of these shares will therefore be found on slight variations in market quotations

*Interpretation* (a) The 8½ preference shares of the Cawnpore Elgin Cotton Mills, on which Rs 100 per share was paid up, were quoted at Rs 182 at the opening of the market day and at Rs 183 2 at the closing.

There has been a rise of Rs 1-2 per share during the day A rise in the rate indicates a good demand and an upward tendency, and the fact that the rate has increased by a substantial margin ensures good prospects on the next business day

(b) The 6 per cent perference shares of the Tata Steel Co were dealt in at Rs 20 These were fully paid up shares of Rs 100 each, which enjoyed the first preference in the payment of dividend, i e, they were held in priority over all other classes of shares for the payment of dividend In this case, the quotation is ex div (ex dividend) i e the purchaser of this security will not acquire the right of receiving the dividend accrued

(c) These are quotations for the ordinary shares of the Bengal Coal Company The rates are Rs 387 (opening), 387 1 (highest of the day), 386 14 (lowest of the day), and Rs. 387 (closing) for each Rs 100 share, fully paid-up These are interesting variations in the price during the course of the business-day, and indicate a sensitive market in this section The market opened with Rs 387 but due to rumours and counter-rumours the price fluctuated within a narrow range (i.e, Rs 387-1 and 386-14, or 3 annas) and again closed at Rs 387 Barring short fluctuations, which were of a temporary and speculative nature, the opening price has been maintained and the market as a whole has been steady.

(d) The ordinary shares of the Teesta Valley Tea Co, the face value of which was Rs 10/- each fully paid up, were transacted at Rs .8-12 The term *tone* indicates normal business with nothing unusual to report

(e) The deferred shares of the Bengal Potteries Ltd, on which Rs 5/- per share was paid up, changed hands at Rs 6 8 These rates are c div (cum dividend), i.e., the purchaser acquires the right to enjoy the dividend accruing thereon It should be remembered that the holders of deferred shares have the

last claim on the profits of the company After the dividend has been paid on all other classes of shares the deferred share holders are paid high rates of dividend if there is a divisible surplus Since these shares do not ensure a regular income they are not liked by investor but are usually the favourites of speculators

*Example 4*

LONDON STOCK EXCHANGE QUOTATIONS

| | |
|---|---|
| (a) 3½ p c Rupee Paper | £ 68½, 68½ |
| (b) 4 p c Victory Bonds | £ 114¼, £115¼ |
| (c) Chartered Bank of I A. and C | £ 7⅞ ex div |
| (d) Great Western (Ord) | £ 43¾, 44¾ |
| (e) Lever Bros (Ord) . | 29/1½ 29/ |

*Comment* These quotations are taken from the London Stock Exchange Weekly Report Rates in London are quoted both in £s and shillings, and the stocks and shares of foreign countries also are quoted in English currency The most important foreign securities quoted on the London Exchange are *Funds* and *Industrials* The ordinary and deferred shares of industrial companies are considered on this Exchange as highly speculative

*Interpretation* (a) The Government of India Loan bearing 3½ p c interest and subscribed in England was quoted on the London Stock Exchange at £68-10. These securities represent the Indian Government promissory notes, bearing on the face a notification that interest may be collected in London at the Bank of England, payable by draft in Calcutta The opening and closing rates are the same, indicating a steady tone of the market in this section

(b) The New War Loan of the British Government, known as the Victory Bonds, bearing a 4 p c rate of interest, was quoted at £ 114½ (opening) and £ 114½ (closing) The par value of these bonds was £ 100 each. The period for repayment is not mentioned,

but implies shortly after the termination of the war A rise of £¾ is shown during the day, which indicates a good demand and an upward tendency in this section Since the advance in the price has been fairly high at the close, the tone of the market is firm

(c) The shares of the Chartered Bank were quoted at £ 7⅞ These are fully paid up shares of £ 5 each. The quotation was ex div, or without dividend, i e, the purchaser will not have claim on the dividend that may be declared after the transaction

(d) The ordinary shares of the Great Western Railway of England were quoted at £43¼ (opening), and £44¾ (closing) There is a considerable rise in the price of these shares i £1 per share, which shows a fairly good demand and an upward tendency in this section The state of the market may therefore be described as *firm*

(e) The ordinary shares, of the face value of 10/ (ten shillings each), of Lever Bros (soap manufacturers) were quoted at a high rate of 29/1½ per share at the opening, but the price fell to 29s at the close This indicates a slack demand and falling prices The tone of the market is therefore dull

EXPLANATION OF EXTRACTS FROM STOCK EXCHANGE REPORTS

*Original I*

*Electric Supply issues*[1] have been *fairly active*[2] Rawalpindi, Dacca, and Patna being perhaps the most *live counters*[3]

—*I Com*, *Rajputana*

*Comment.* This is an extract from the Calcutta Stock Exchange Weekly Report It refers to that section of the market which deals in stocks and shares of Electric Supply Companies [1] These securities on the Exchange are variously called Electrics, Electric Issues and Electric Counters, and are listed with Industrials

*Notes* 1 The ordinary shares of the Electric Supply Companies

Much business was done due to good demand.

3 The most popular class of securities, *i.e.*, those shares in which considerable business is reported.

*Explanation* In the Calcutta Stock Exchange the Electrics, *i.e.*, the shares of Electric Supply Companies, were largely in demand The most popular shares were those of the Rawalpindi, Dacca and Patna Electric Supply Companies, and heavy transactions were reported in this section of the market. In the presence of a large demand, the tendency of prices was upward and the tone of the market bright

*Original 2*

Although the *undertone*[1] in the *industrial market*[2] was fairly satisfactory, conditions became dull after a *fairly firm start*[3] on Monday and the volume of business remained small.

—*I Com., Bombay*

*Notes* 1 The future tendency of prices

2 That section of the Stock Exchange which *deals in the stocks and shares of industrial companies*

3 The opening price was fairly high.

*Explanation* This is an extract from the Bombay Stock Exchange Report. It refers to the *Industrials* section The reporter, in reviewing the condition of the market on Monday, the opening business day of the week, observes that the general atmosphere indicated good business prospects during the week He points out that the opening quotations for this group of securities were fairly high but later in the day, due to the discontinuance of demand or some other bearish factor, transactions were reduced and consequently prices declined At the close of the

day, the same dull conditions prevailed i.e., in the absence of inquiry or demand, prices continued to fall and the market displayed a pessimistic tone

*Original 3*

The *Sugar and Tea sections*[1] have ruled steady with *a fair turnover*[2] The market in steels showed a *sagging tendency*[3] on *heavy liquidation*[4] The expected rise in *steel issues*[5] did not turn out due to profit-taking by *weak bulls*[6] and bear sales

—*I Com U P*

*Comment* This extract is taken from the Weekly Report of the Calcutta Stock Exchange Business in shares of the sugar mills, tea manufacturing companies and steel industries, is reported The student will discover at the very first reading of the above excerpt that the condition in the sugar and tea sections was steady, whereas in the steels section it was dull Reasons for these tendencies should be given when explaining this passage

*Notes* 1 The shares of Sugar Mills and Tea Plantations

2 A large volume of business was done

3 Downward or falling tendency of prices

4 Heavy sales by disappointed bulls resulting in an excess of supply

5 The shares of Steel Companies

6 The bull speculators began to sell at the slightest sign of rising prices to make the best of the present rates

*Explanation.* There was no change in the prices of sugar mill and tea companies' shares, but a fairly large volume of business was transacted at this level The prices of steel company shares, on the other hand, were falling considerably owing to heavy sales made by disappointed bulls, resulting in an oversupply of

these securities in the market Later on, however, conditions improved in steel shares, but the price did not come up to expectations, or did not rise to the level expected by speculators, due to two factor, first, the tired bulls began to dispose of their holdings on the appearance of a slight improvement in prices and did not wait (like strong bulls) for prices to rise substantially or by a greater margin, and second, fearing a rise in the price of these securities how ever small in the present circumstances, the bear speculators began to do away with their holdings at the current level The result of both these operations was an increase in the supply of steel shares in the market, which not only marred the chances of a rise in the price of these securities in the future but also definitely sealed the fate of these securities to the doom of the lowest price

## MODEL EXERCISES IN *Precis* WRITING AND GIVING TITLES TO MARKET REPORTS

*Exercise 1*

*With the demand renewed vigorously*[1] and the market being short of stock, gilt-edged securities further strengthened substantially, *boomlike conditions prevailing throughout the day*[2]

Industrials were rather less active, but *all the recent favourites continued to be strong*[3] Other sections were generally quiet, owing to the consideration of *month end account*[4]

The favourable outlook regarding the general political situation and the better figures of Home unemployment caused an improvement in the prices of most securities

• —*I Com , Bombay*

*Comment* This exercise is to give students practice in comprehension and expression Before attempting *precis* writing, an explanation of the italicized expressions is necessary It is assumed that

the student is trained in the art of *precis*-writing It may, however, be added that repeated compression of a report eventually leads to the main idea necessary for arriving at a suitable title The title of a market report must indicate the tone of the market

*Explanation of Italicized Expressions* 1 A very heavy demand was once again felt in the market for this class of securities

2 Very high prices prevailed throughout the day

3 Those groups of securities which were outstanding in the past week, were doing good business at high prices during the current week also

4 The business on the Exchange became dull owing to the arrival of the monthly settlement dates

*Precis* Very high prices were ruling for gilt-edged securities due to an excess of demand The industrial section, like others, was not doing good business on account of the monthly settlement of accounts The general tone of the market, however, seems bright, in view of an improvement in the political and labour situation

*Title.* Sky-rocketing Values in Gilt-edged

*Sub title* Improved Political and Labour Situations Restore Confidence on the Bombay Exchange

*Exercise 2*

In the week before *it was coals which were in the ascendant*[1] and last week it was *jutes*[2], confidence seems to have returned and *the market has gone from strength to strength*,[3] though on Thursday last and again on Friday *a certain amount of profit-taking was in evidence*[4]

Markets were all very quiet on Saturday and *the tone was irregular*.[5] In the absence of fresh business, dealers directed their attention to the preliminaries of the *carry-over*,[6] which begins today in all sections. *Consols succeeded in recovering part of the previous*

*day's fall*[7] while the Home Railway Market prices had a *sagging tendency*[8]

—*I. Com*, *Rajputana*

*Explanation of Italicized Expressions* 1 The shares of coal mining companies were transacted at a very high price, and were outstanding from the point of view of the volume of business done

2 The ordinary shares of jute mills

3 There has been no break either in the volume of business or the high level of prices, and the market has throughout shown an upward tendency

4 The holders began to dispose of their stock in order to make profit

5 The tendency of prices was not stable due to uncertain demand

6 The postponement of the settlement of account from the fixed date to the next settlement day

7 The prices of consols, which had fallen considerably on the previous market day, partially recovered due to the revival of demand

8 Downward tendency of prices The term is used generally to show a considerable fall in prices during a short period of business

*Precis* During the week under review, jute mill shares, like the coal shares in the previous week, were most prominent Other sections also showed an improvement in prices On Saturday few transactions took place on account of settlement operations There was some rise in the price of Consols at the close, but the Home Railway shares continued to fall

*Title* Spurting Movements in Jute Scrips

*Sub Title* Undercurrent of Enquiry for First Class Stock.

*Exercise 3*

Among *Engineering descriptions*[1] the main feature was a further weakening in Indian Iron and Steel to

Rs 16 4 and a sharp decline in Bengal Irons to Rs 12-8, *the latter in sympathy with a lower London market* [2]

Jutes have been an *irregular market*[3] and with the public for the most part still *sitting out and looking on*,[4] transactions have been confined largely to *inter-bazar dealings* [5] towards the close, however, a little more *investment enquiry*[6] has been noticeable, and prices all round on Tuesday were appreciably firmer

*The gilt edge market has been dull with prices falling away* [7] $3\frac{1}{2}$ per cent Rupee Paper closed at Rs 68-8 and the 1939 44 New Loan at 8 annas discount

—*I Com*, *U P*

*Explanation of Italicized Expressions* 1 The shares of Engineering Companies, included in the list of Industrials

2 Since the price of this security declined in the London Stock Exchange, the reaction was felt in the Indian Stock Exchange where it was dealt in, and the price fell to keep up with the rate prevailing in London

3 Instability of prices due to rapid fluctuations, which make transactions risky from the point of view of investors

4 The buyers are not making purchases at the present but waiting for prices more favourable to them

5 Transactions made between the members of the Stock Exchange and not with outsiders.

6 Demand of the investing public for securities

7 No business is passing in first class Government securities and therefore the prices are falling down

*Precis* There was a considerable fall in the prices of steel shares In the jute mills section, owing to the rapid fluctuation of prices, business was confined to

speculative transactions among jobbers The prices of gilt edged securities were also falling rapidly due to lack of demand

*Title* Steel Issues Weaken in Sympathy with London

*Sub Titles* (a) Little Outside Support for Jute Shares (b) Gilt-Edged closed Flat

EXERCISES WITH HINTS FOR EXPLANATION

*Exercise 1*

*Industrials*[1] were in general rather *irregular*[2] *the recent rise inducing profit taking*[3] The Imperial Bank were *crossed*[4] at Rs 1,508 and the Reserve Bank were *marked*[5] at Rs 126 8

—*I Com, U P*

*Hints* 1 The stocks and shares of industrial companies.

2 Rapid fluctuations of prices within narrow limits

3 In order to make profit the holders were selling their stock on the recent rise in prices.

4 Transacted or changed hands at this price

5 Prices were quoted or inquiry made at this level

*Questions* (1) Give a list of securities classed under the term Industrials

(2) What type of business (investment or speculative) is suitable for an irregular market and why ?

(3) Explain fully the above passage in simple English

*Exercise 2*

Cotton Mill shares *moved within a narrow range*[1] with a steady undertone due to *better cotton advices*[2]

In the miscellaneous section Bombay Burmahs *showed some gains*[3] over last week's quotations *Tata Steel issues were marked up on bear covering*[4] and fresh purchases

—*I Com Bombay*

*Hints* 1 The rise or fall in the price was very slight or by a shade only

2 Favourable crop reports from the country or abroad in regard to the supply of raw cotton

3 There was during the week some rise in prices over previous levels

4 Due to heavy purchases made by bear speculators as covering operations the prices of Tata Steel Shares showed an upward tendency

*Questions* (1) How do cotton crop forecasts affect prices on the stock exchange ?

(2) Describe fully a bear covering operation

(3) Explain the above passage in your own language

*Exercise 3*

The miscellaneous section has suffered most and particularly our old favourites Tata Iron and Steel issues, the *sport of the bears*[1] in times of adversity and the *leader of any upward movement*[2] when the *financial and labour barometers are set fair*[3].

—*I Com, Rajputana*

*Hints* 1 Those securities in which predominantly the bear speculators transact business on the slightest falling tendency of prices

2 In a rising market these securities show the greatest advancement and become the sport of bull speculators

3 When money can be borrowed cheaply for long term investment in securities, and there are no labour

troubles to hinder the smooth working of steel industries

*Questions* (1) Rewrite the above passage in your own language

(2) Trace out the relation subsisting between the Stock Exchange and the Money Market on the one hand, and the Labour Market on the other

(3) Describe the tone of the market

ADVANCED EXERCISES WITH GUIDE QUESTIONS

*Exercise 1*

The Cawnpore Stock Exchange *opened the week in good style*, sentiment being assisted by favourable reports about the Textile War Orders Conference. *The palm for the best gains* over the week goes to the textiles section, with Engineerings taking up the lead after In the Miscellaneous section *sellers are few and far between.* Trading in Electrics at first *looked listless*, but during the latter half of the week this section also developed an exceptionally active tone, while gilt edged kept steady to firm throughout Other sections also showed many *bright features* and there was generally a good *turnover* in sugars and public utilities Stated briefly, the week under report witnessed one of the brightest sessions seen since the outbreak of the war

*Questions* (1) Explain the portions italicized

(2) Rewrite the above passage in not more than one-half of its original length

*Exercise 2*

During the earlier part of the week, *a moderately steady undertone* was noticeable on the Madras Stock Exchange, but as the week progressed, an easier tone set in, due principally to profit-taking Nevertheless, *textile shares put up fairly good resistance.* The general trend of the market at the close was one of easiness

Although *equities* suffered a little on account of profit-taking, gilt-edged securities remained *fully steady* As was the case in the past few months, the turnover, however, was very poor.

In the textile section, Buckinghams were steady at Rs [illegible]80, Bangalore Woollens were better at Rs 265 Cochin Textiles, on the other hand, were slightly easier at Rs $111\frac{1}{2}$ In the *plantation group*, Travancore Rubbers declined from Rs $11\frac{3}{8}$ to Rs $11\frac{1}{8}$ Tropicals from Rs $22\frac{1}{4}$ to Rs 21-15/16 and Cochin Malabars from Rs 9 3/16 to Rs $8\frac{5}{8}$ Chembra Peaks, however, ruled steady at Rs 5 7/16

Among miscellaneous shares, with prospects, of a *maiden dividend*, Mysore Chemicals and Fertilisers improved from Rs $18\frac{3}{4}$ to Rs 18-[illegible]/16 and accounted for a fair turnover Mysore Papers were a firm counter, the rate rising from Rs $17\frac{5}{8}$ to Rs $18\frac{1}{4}$ Mysore Sugars and Travancore Sugars were steady *at Rs $57\frac{3}{4}$ cum div* and Rs 16 respectively Indian Steel Rolling Mills *lacked support* and finished As 6 lower at Rs $8\frac{1}{2}$

*Questions* (1) Explain fully the terms and phrases italicized

(2) Rewrite the first two paragraphs in your own language.

(3) Give a title to the above report.

*Exercise 3*

The London Stock Exchange opened with a *slight hesitation* due to temporary gains of the Germans on the Russian front Consequently, business was, to some extent, lower at the opening, but *a better sentiment assisted the market to show good gains at the close* Investment support was readily forthcoming at *reactions* British funds showed a good resistance and, on balance, the quotations showed moderate gains. Good features were also noticeable in Home Rails In industrial issues, a fairly large business was

witnessed especially in tobaccos, breweries and other heavy goods Kaffirs responded to good demand from the Cape Oils were moderately better *Rubbers and Teas were well supported*

Industrial issues especially irons and steels benefited from *investment buying*, Dorman Long putting on a fair fraction Vickers improved fractionally to 17s [illegible]d., but Indian Irons were slightly easier at 51s [illegible]d which compares with the previous quotations of 5[illegible]s 6d John Brown responded well on the hopes of a good report for the coming year *Electrical equipment became a little irregular* Elder Dempster holdings suffered a little despite the increase in distribution to share-holders Morris shares firmed up all round. Leylands benefited by provincial support, recorded a good rise Courtauld showed further improvement on the expectations of early Government settlement on American Viscose valuation Tobaccos were generally firm. Imperial Tobaccos were *fully maintained* at £[illegible]-31/32

*Questions* (1) Explain the portions italicized in the above report.

(2) Rewrite the report in simple language

(3) Give the substance of the above report

*Exercise 4*

Wednesday Evening, 29th October

Once again we have *a short trading week* to report, there having been only two days on which the Calcutta Stock Exchange has been open since the last issue of Capital During this period, however prices have been remarkably steady, and *up-country investment demand has lent welcome support to the market* The opening of the Central Assembly belied fears which had been expressed in some quarters of further *taxation of an interim kind*, and apprehensions on this score seem to have subsided

So far as the restricted trading during the past

seven days has produced any feature at all, it can be said to consist of the strong demand for selected cotton shares In this connection it is worth mentioning that advances have been made in Bengal-Nagpurs, Elgins and Cawnpore Textiles *Jute shares are buoyant*, and Indias have been in favour on their dividend prospect Howrahs Reliance and Anglo-Indias all show some improvement in rates Tea shares generally continue to be very firm and in good demand With sellers reluctant, business is difficult to complete *Selected sugar shares are again in the picture*, whilst paper shares have been steady on limited business In the coal shares section, Bararee Cokes have changed hands, but there are very few other transactions to report.

Good Engineering shares are *easy to dispose of* and in the Miscellaneous section the principal scrips such as B. I Cables, Dunlops, Indian Cables, Indian Wood Products, Indian Iron and Steel, and S C O B s *have all been done at satisfactory levels*

*Questions*. (1) Explain the portions in italics

(2) What is the effect of taxation on Stock Exchange prices ?

(3) Rewrite the above report in not more than one-half of its length

*Exercise 5*

## CALCUTTA STOCK EXCHANGE

### BRIGHTER SENTIMENT

*Jan 9*

The market generally displayed a brighter sentiment

Transactions up to 3-30 p m

**Government Securities**—3½% Government Paper Rs 94 14 94-13 (94-10, 94-4 s lots), 5% Loan (1945 ... Rs 108-4 s lot, 108-4 (108 s lot)

**Bank**—Reserve Bank, Rs 102-4

**Cottons**—Bengal Nagpur, Rs 18; Kesoram, Rs 9-2, Elgin Rs 27-14 s lot

**Coals**—Amalgamated Rs 26-4, Bengal, Rs 372, 3 0, 371 Borrea Rs 16 Equitable, Rs 35 4, 35 2 North Damuda, Rs 5 2, 51 Pench Valley Rs 34 2

**Jutes**—Agarpara (Pref), Rs 152, 151 s lots Alliance Rs 287 86 Barnagore, Rs 91 Budge Budge Rs. 45, 47 Clive Rs 2? , Dalhousie, Rs 218 8 ex div, ex rights Hastings (Ord) Rs 104, Howrah (7% Pref) Rs 165, 166 Hukumchand Rs 12 4, Hukumchand (Pref), Rs 137 s odd lots, India, Rs 325, 328, Kamarhatty, Rs 465, Kelvin (Pref), Rs 165, Megna, Rs 57 8 National, Rs 21-12, Orient, Rs 178

**Cement**—Dalmia Cement (Pref) Rs 119

**Chemicals**—Alkali and Chemical (Ord), Rs 20-12 20 13 (20 9 s odd lots) 20 9 s l, Alkali and Chemical (Pref), Rs 118

**Eng Companies**—Burn and Co (Ord), Rs 347, Jessop and Co (Ord), Rs 18 15, 18-14

**Miscellaneous**—*Aluminium Corpn*, Rs *11*, 11-8 C T B I Corpn (Ord) Rs 4 15 4 14

**Paper Mills**—Orient Paper (Ord), Rs 15-11, 15-12 Sree Gopal Paper (Pref), Rs 115, Titaghur Paper Rs 19 6, 19 8, 19 7, 19 5 ex div

**Saw Mills**—Assam Saws, Rs 5 8

**Sugar Shares**—Dyer Meakin Breweries Rs 10 1 New India, Rs 7 8

**Tea shares**—Bishnauth, Rs 27-4

**Debentures**—4½% (1897 1956) Bengal Nagpur Cotton Debs, Rs 102 8 4½% (1937 57) Soorah Jute Debs Rs 10? 8

*Questions* (1) Interpret the above quotations, with special reference to coals and jutes

(2) Explain, with suitable illustrations the terms attached to the above quotations

(3) Write a short account of business organization on the Calcutta Stock Exchange, and give a list of securities dealt in

*Exercise 6*

## BOMBAY STOCK EXCHANGE

### MODERATE GAINS

Bombay, January 6

The Bombay Stock Exchange opened steady today with improved demand, and prices recorded moderate gains Operators, however, remained cautious and preferred to watch the war developments Tata Deferred showed a rise of Rs. 15/- over yesterday's closing 3½ per cent Government Paper kept steady

The following are the quotations :—

### FORWARD LIST

COTTON MILLS (FORWARD)—Bombay Dyeing Rs 1,240 ; Central India Rs 396 ; Century Rs 420 , Colaba Rs. 215 , Finlay Rs. 237 , Gokak Rs 295, Kohinoor Rs. 525 , Morarji unq'td ; Mysore unq'td ; New Great Rs 100 paid-up (New) Rs. 105 ; Phoenix unq'td , Simplex Rs 225 , Swadeshi Rs. 432 , Swan unq td

ELECTRIC COMPANIES (FORWARD)—Andhra Vly Power (Ord ) Rs. 1,655 , Bombay Elec. and Tram unq'td ; Tata Hydro Elec (Ord.) Rs. 137-8 , Tata Power (Ord ) Rs 1,650

STEEL COMPANIES (FORWARD)—Tata Steel (Ord ) Rs 328 ; Tata Steel (Defd ) Rs. 1,765

MISCELLANEOUS (FORWARD)—Alcock Ashdown unq'td ; Associated Cement Rs. 164 ; Belapur Sugar Rs. 285 , Bombay Burma (Ord ) Rs. 380 , Bombay Steel (Ord ) unq'td ; B Telephone unq'td Ind. Bleaching unq'td , Shivarajpur unq'td Premier Construction Rs. 117-8

### CASH LIST

COTTON MILLS—Ahmedabad Advance Rs. 340, E D. Sassoon Rs. 3-2-9, Hindustan Rs. 2 475 ; Indore Malwa

Rs 235, Indian Manufacturing Rs 2,500, Khatau Makanji Rs 250 Luxmi Cotton Rs 695, Minerva Rs 126-4, Model Nagpur Rs 205, New City Rs 375, Sassoon Silk Rs 83, Sholapur Rs 5 550, Standard Rs 500 Vishnu Cotton Rs 1,500, Western India Rs 1,700

ELECTRIC COMPANIES—Ahmedabad Rs 175, Amalgamated Rs 13 12, Ajmer Rs 12-8, Broach Rs 13 12, Bombay Suburban Rs 175, Karachi Rs 227-4, Poona Rs 220, Surat Rs 185

MISCELLANEOUS—Bombay Burma New Rs 135, Bombay Safe Deposit Rs 650, Steel Corporation of Bengal Rs 16-10, Burma Corporation Rs 3-5, B I C (Ord) Rs 5 1, British Burma Petrol Rs 2-4 6, Indian Iron Rs 29 7, Indian Copper Rs 2, Indian Radio (Ord) Rs 430, Indian Radio (Defd) Rs 370, Industrial Invest Trust Rs. 49-8, Port Canning Rs. 88, Scindia Steam Rs 21 12 Tata Oil Rs. 56, Tata Chemical (Ord) Rs 15 15, Wimco Rs 215

SECURITIES—$2\frac{3}{4}$ per cent (1948 52) Loan Rs 97-8, 3 per cent (1941) Loan Rs 98 8, 3 per cent (1951-54) Loan Rs 98 6 3 per cent (1963-65) Loan Rs 94, $3\frac{1}{2}$ per cent Govt Paper Rs 95, $3\frac{1}{2}$ per cent (1947-50) Loan Rs 101 6, 4 per cent (1943) Bonds Rs. 103, 4 per cent (1960 70) Loan Rs 109 4, $4\frac{1}{2}$ per cent (1955-60) Loan Rs 113-4, 5 per cent (1945-55) Loan Rs 108 14, 3 per cent (1946) Defence Loan Rs 100-12

*Questions* (1) Explain the first paragraph of the above report

(2) What securities are transacted *for cash* and *for account* ?

(3) Give an interpretation of the cottons and miscellaneous sections

*Exercise 7*

## LONDON STOCK EXCHANGE

### CLOSING PRICES

London, January 9.

The following were the closing prices on the Stock

Exchange today. Figures in brackets denote the closing prices on the previous day or the last quoted prices

The market was generally cheerful.

INDIAN LOAN—3½ p c Loan (1931)(£101$\frac{13}{16}$) (£101$\frac{13}{16}$).

FUNDS—5 p c Commonwealth Aus. Loan (45-75) (£101¼) £101¼, 2½ p c Brit. Consols (£82$\frac{13}{16}$) £82$\frac{13}{16}$, 3½ p.c Conversion(£107¼) £107¼ 3 p.c. Conversion (£100) £100/-; 4 p c. Fdg Loan (£115) £115, 3½ p c. War Loan (£105$\frac{3}{16}$) £105⅜, 3 p c. War Loan (£101½) £101½, 4 p c. Vic Bonds (£114½) £114¼

INDUSTRIALS—Standard Motors, Ord. (17/-) 17/-; Marks and Spencers (38/-) 38/3, Elec Mus. Industries (14/10½) 14/10½, Pinchin Johnson (21/4½) 21/4½; Imp. Chemical, Ord (33/3) 33/4½, Woolworth, Ord. (60/-) 60/3; San Paulo 7 p c. Coffee (1930)(£76½) £76, Dunlop Rubber, Ord (33/3) 32/9, Lever Bros (30/3) 30/6; Ford Motors (25/-) 25/3; Cables and Wireless New, Ord. (£68) £68½; B A. Tob, Ord, (£4$\frac{31}{32}$) £5$\frac{1}{16}$, Carreras "A" (£5$\frac{19}{32}$) £5⅝, Imp Tob, Ord. (£6$\frac{23}{32}$) £6$\frac{11}{16}$ P. and O, Def. (28/4½) 28/7½; Distillers (74/-) 75/6; Bradford Dyers, Ord. (9/7½) 10/4½, British Celanese, Ord. (8/-) 9/-; J. and P. Coats, Ord (38/4½) 38/9; Courtaulds, Ord. (£35/3) 35/9, Fine Cotton Spinners (7/-) 7/7½; Vickers, Ord. (17/3) 17/3, International Nickel ($43¼) $43⅜; Indian Iron and Steel (47/6) 48/1½, Assd. Port. Cement (50/-) 51/3.

TEA SHARES—Assam (17/-) 16/10½; Dooars Tea. Ord (30/-) 30/-, Empire of India and Ceylon (17/6) 17/6.

JUTE SHARE—Barnagore (£9) £9.

RUBBER SHARES—Anglo-Dutch (14/6) 14/6; Gula Kalumpong (11/3) 11/3: Rubber Plantation Invest. Trust (20/-) 20/-.

MINING SHARES—Nundydroog (18/9) 18/9; Burma Corporation (5/7½) 5/7½, Rio Tintos (£7¾) £7¾; East Rand Prop (£2$\frac{5}{32}$) £2⅛, Rand Mines (£6⅞) £6¾; Crown Mines (£9¾) £9¾; Sub Nigel (£7$\frac{3}{16}$) £7$\frac{3}{16}$, Spring Mines (£1$\frac{9}{32}$) £1$\frac{9}{32}$; Union Corporation (153/9) 152/6; Indian Copper Corpn (3/-) 3/-.

OIL SHARES—Venezuela, Ord (38/1½) 38/1½ ; Anglo-Iranian (48/9) 50/- Burma ($£2\frac{1}{16}$) $£2\frac{3}{32}$ Mexican Eagle (12/6) 12/6 ; Shell Transport ($£2\frac{3}{4}$) $£2\frac{23}{32}$ ; Royal Dutch (£20) £20 ; Trinidad Leaseholds (70/-) 71/3 : Attock Oil Ord (37/6) 37/6

HOME RAILS—Great Western Ord (£45) $£44\frac{3}{4}$ ; London M and S Ord. ($£18\frac{1}{4}$) $£17\frac{7}{8}$ ; L and N.-E. Def. ($£2\frac{3}{16}$) $£2\frac{3}{16}$ ; Southern Def. ($£15\frac{3}{4}$) $£15\frac{1}{2}$ ; London Passengers Transport Board 5 p c (£128) £128 ; Do "C (£40) £40.

On the Stock Exchange yesterday a bright sentiment continued to pervade markets, which in most cases continued their recent upward tendency, while even rubbers hardened and Dunlop rubber recovered 1s. on bear-covering The recent broadening in business was also maintained. Gilt-edged securities were again good on re-investment demand arising from the India call-up Textiles also continued strong, while other good features included Coopers and Mawchi Mines. Tobaccos, after a sharp decline on disappointing dividend by the British-American Tobacco Co., rallied and finished higher on the day—*Reuter.*

*Questions.* (1) Give an interpretation of the above quotations, and explain fully Indian Loan, Funds and Home Rail sections

(2) Explain fully the last paragraph of the above report.

(3) Describe briefly the transaction of business on the London Stock Exchange, and give a list of *cash* and *forward* securities.

*Exercise 8*

Wednesday Evening, 5th November

Market sentiment has been somewhat mixed during the past week, but strong on the whole The announcement that the Government are preparing plans for the evacuation of "ineffectives" from Calcutta, in the event of a state of emergency arising, undoubtedly constituted a sharp reminder that India

cannot consider itself immune from the physical hazards of war This has been regarded as more of an adverse factor than any news which has been received from Russia during the past seven days On the other hand the increase of 10 per cent in the tea quota, the receipt of large Government orders by the jute industry, and the extension of working hours in the cotton mill industry have constituted bull factors of considerable importance As always, Bombay appears to be in a more speculative mood than Calcutta and there is a noticeable divergence between cash and forward prices on the Bombay Stock Exchange, which is a sure sign of growing speculative activity

Gilt edged have been steady with prices fully maintained Jute shares have inevitably attracted more attention than for some weeks past The latest prices will be found elsewhere in *Capital* from which it will be seen that the tone of this section of the market is very firm indeed The extra quota has enhanced the already considerable demand for good tea shares of all kinds Representative of market leaders is the case of Patrakola, which has passed the Rs 1,000 mark for the first time in many months Investment demand in this section is by no means exhausted Generally speaking, coal shares have been neglected, but they revealed a distinctly better tone on Wednesday, and enquiry seems to be maintained Sugar shares again rule strong, though purchases are confined to relatively few scrips Transactions in cotton shares have been of a limited kind, but very definite interest remains and the buying movement is by no means exhausted Bengal Nagpurs, Dunbars, Elgins, Cawnpore Textiles and Muirs, have all been in the picture Any Utilities on offer are quickly taken up, but interest in Engineering shares has somewhat abated In the Miscellaneous section, Indian Irons and Steel Corporations are a little better Indian Cables are steady, B I Cs and Dunlops have improved over the week, whilst there have been buyers of Associated Hotels and Burmahs and Rhodesia Coppers, which have not

figured much in recent market reports. Prices are largely unchanged in the Paper Mill Section, but it is clear that official policy will sooner or later have to be directed towards adjusting supply to demand in this important product.

*Questions* (1) Make a list of technical terms and phrases and explain them

(2) Why is the Bombay Exchange in a more speculative mood than Calcutta ?

(3) Make a precis of the above report and give a suitable title to it

*Exercise 9*

The Bombay share market displayed renewed firmness during the week, with Textiles continuing to occupy pride of place It is true that there were some occasional setbacks but there was at no time any real weakness Such declines as did occur must be attributed to profit-taking sales in the leading stocks by professionals The tendency to take profit was due to two reasons, namely the possibility of some form of price control being adopted at the forthcoming Price Control Conference, and the uncertain trend of raw cotton prices There was also a third reason the news from the Russian war front, which, however, had no perceptible effect. But these factors of a bearish nature did not have any marked or lasting influence on equity values, in view of the encouraging reports about the progress of the country's main industries The undertone of the market is pretty firm, and the bullish incentive, which has been keeping up prices in the last two weeks, has not yet completely spent itself

A feeling is gradually gaining ground in certain quarters that in recent weeks cotton mill shares have reached top levels at the expense of steel shares This, they feel has resulted in a certain amount of lop-sidedness in the technical situation of these two main sections of the local Stock Exchange, a though such a position may not be apparent to one

who has not mastered the intricacies of forward trading in this market Be that as it may, anyone who makes a diligent study of the recent price movements in these two sections will readily admit that speculative forces have been at work more in Textiles than in Steels Speculative dealings apart, it will also be admitted that from the investment point of view steel shares today are comparatively cheaper than textiles, as witness Tata Steel Ordinaries, with the last dividend at Rs 29, standing at Rs 409-8, and Central Indias, with a dividend of Rs 10, quoted Rs 414 Can it be denied that from the point of view of either Excess Profits Tax or earning capacity or even the post-war prospects, Tata Steels stand favourable in comparison with Central Indias ? Why should there be such a wide disparity ? There can be no satisfactory answer to this question , but that is the way with Stock Exchange operators.

## Semi-gilt-edged scrips

Thanks to the heavy glut of funds in the money market and the absence of sellers in Gilt-edged stocks (dated varieties), a steady flow of enquiries for semi-Gilt edged scrips is being maintained Here, too, as in the Gilt-edged section, it is becoming increasingly difficult to find free sellers in spite of buyers being prepared to pay a little more Consequently, the turnover is tending to be narrower. Among bank shares, Imperial Banks, after their last week's fall, were again better at Rs. 1,607-8 for Fully-Paids and Rs. 397-8 for Partly Paids Bank of Indias and Bank of Barodas were a shade higher at Rs. 148 and Rs 115-8, respectively, while Centrals were a fraction lower at Rs 50. Insurance shares ruled steady, there being a further appreciation in New Indias and Orientals which finished at Rs 53-8 and Rs 4,530, respectively, as against Rs 52-12 and Rs. 4,475 a week ago. Railway shares were mostly unchanged, but where there were changes, they were mainly upwards. After weeks of inactivity, fixed yield shares—parti-

cularly those belonging to the textile section—met with some buyers Bradburies, Central Indias and Elphinstones improved by Rs 2 8, Rs 3-12 and Re 1 to Rs 537-8, Rs 652-12 and Rs 92, respectively Among public utilities, Bombay Suburbans and Bombay Trams found some support and closed better. The Hydro-Electric Group was less active, but prices were well maintained Tata Powers, which closed at Rs 1,81 8, improved to Rs 1,83½ early in the week, but on balance showed no change A noteworthy feature in this section has been the widening of the premium for Andhra Valley ready delivery over forward Thus, while the rate for November settlement remained nominal at Rs 1,740, the rate for cash delivery improved from Rs 1,790 to Rs 1,80 28

*Questions* (1) Distinguish between various classes of securities dealt in on the Bombay Exchange

(2) What is Price control? How does it affect ready and forward business?

(3) Make a list of technical words and phrases and explain them

(4) Make a *precis* of the above report and suggest a suitable Title and a sub-Title

*Exercise 10*

All the bearish factors referred to by us in our last week's review of the Bombay Exchange appeared to have had their full play in the earlier part of the week under review, resulting in an all round decline in prices on the 11th inst The downward tendency continued in the cash section even on the 14th inst on the re-opening of the market after a brief spell of holidays for two days Thereafter, however, prices began rising and are still in that process, the optimistic trend being mainly due to the large orders for cotton goods following deliberations at this week's Textile Conference, and no less also to the forthcoming 'Moorat' trading The market appears so far to have fully discounted the absence of any improvement in the war situation in taking up prices, and, at

the time of writing it looks as though nothing will retard the rising trend Notwithstanding this, however, it is significant that even the leaders in the market, namely, Textiles and Steels, have still to make some leeway before touching the top levels seen at the close of last week s trading Judging from the latest trend, this may happen before these lines appear in print Whether this eventuates or not the steep decline noticed in the week should be a clear indication, as we had already observed that top levels had definitely been reached, at any rate in Textiles

Of the different sections, the Gilt edged market remains quite unchanged with practically no variation in prices The same would perhaps hold good in respect of railway shares also, except for the fact that Mymensingh Guaranteed Stocks close with a sharp rise of Rs 3-4, after having been unchanged for the whole week at Rs 109 Bank shares, with the possible exception of Imperial Bank Partly Paids, which close at their highest of Rs 400 are either unchanged or quoting distinctly lower Reserve Bank shares at Rs 105 8 at the close compared with Rs 109 earlier, while at Rs 49-8 Central Banks have lost Re 1 2 over the week

## Steels

Coming to the leaders of the market, Steels and Textiles, it is perhaps worth noting that closing quotations at the close of trading on Wednesday were appreciably below those on the corresponding day of last week Taking Steels first, it is seen that, after closing at Rs 399 and Rs 409 8 and Rs 2,095 and Rs 2,155 for cash and forward positions respectively, Tata Steels Ordinaries and Deferreds steadily declined to Rs 385 and Rs 393 and Rs 2,015 and Rs 2,047-8, respectively Ordinaries in fact touched the lowest level of the week even on the 11th inst itself when they quoted no higher than Rs. 391 As we go to press, the rates (forward) are Rs 398 Ordinaries declined to this level after touching Rs 405—and Rs 2,095 Deferreds

### Textiles

Among textile shares also, the same trend has prevailed as in Steels, with the result that closing prices are still below last week's best.

Thus Bombay Dyeings, which closed last week at Rs 1,317-8, closed this week at Rs. 1,301-4. At the time of going to press it quotes even lower at Rs. 1,207-8, a level not touched even at the period of the worst decline during the week. Centuries, which at the time of writing quote Rs. 460, after having touched Rs 470, compare with their last week's closing quotation of Rs. 480; during mid-week these had touched Rs. 436. As regards the others, the same trend characterizes all the important scrips, that is, on the 11th inst the forward position touched their lowest, while the cash counters registered their lowest on the next working day, namely, 14th inst; only in the case of Simplex, the lowest prices for both cash and forward positions were touched on the 11th inst. itself. The following table gives the closing prices on 8th, the week's lowest and the closing levels of some of these shares:

| | 8th (Highest) | 11th (Week's lowest) | 15th (Week's closing rates). |
|---|---|---|---|
| | (All forward quotations) | | |
| | Rs. | Rs. | Rs. |
| Central India | 414 | 358 | 398 |
| Colaba | 218 | 204 | 211-8 |
| Kohinoor | 537 | 505 | 520 |
| New Greats | 347 | 315 | 338 |
| Simplex | 165 | 157 | 169 |
| Swadeshi | 424 | 390 | 409-8 |
| Finlay | 248-8 | 229 | 239 |
| Gokak | 259 | 246 | 252 |

*Questions*. (1) Make a short list of the various securities usually dealt in on the Bombay, Calcutta and London Exchanges.

(2) Pick out the technical words and phrases and explain them.

(3) Describe the tone of each section of the market.

(4) Make a *precis* of the above report.

(5) Suggest a suitable title, and two sub-titles for the above market report.

CHAPTER XIV

## HOW TO WRITE MARKET REPORTS

The object of a Market Report, as already made clear in preceding chapters is to give commercial information to persons not in possession of the detail of market transactions Persons interested in such information are usually businessmen who cannot personally visit the market, and yet wish to explore the possibilities of making their transactions in favourable markets wherever they may be found It follows, therefore, that the Market Report should contain only such information as is of value to traders and the writer of the report must be well acquainted with the subject matter under report.

It does not necessarily mean that the author of a Market Report should always be an expert or a specialist. The art of writing market reports in these days is a valuable acquirement for all classes of people who are interested in commercial transactions Thus a broker may have to draft a market report for his principal a dealer for his client, or a commercial traveller for his master Likewise a commercial adviser, or a business correspondent, may also have to write brief accounts of business transactions for the guidance of the public or the information of the business community It is, therefore, essential that every business man should have some practice in drafting market reports so that he may be in a position to set out his opinion in proper form on any matter connected with his own sphere of responsibility

It often falls to the lot of a commerce student, who has specialized for secretarial work or for a business organizer's duties to draft market reports in some form or other For example he may be asked to describe the conduct of business transactions

in his own village or home-town market for the in formation of a layman Or, he may be taken to a near by market and asked to write an essay on the organization and course of transactions in any one or several selected commodities Or again, purely from the examination point of view, he may be asked to write a market report on any one section of the market, using imaginary facts and figures The art of writing market reports is a valuable acquire ment preparatory to a successful commercial career Although for an average student it is difficult to master completely the technique of writing market reports during the brief period of time at his disposal he can undoubtedly make a good start and after a little practice turn out to be a competent reporter

No hard and fast rules can be laid down for guiding the student in drafting model reports This difficulty arises from the fact that the subjects on which market reports may be written are almost too many For example a report may be required for each commodity dealt in, for each day of business for each group of dealers or speculators, for each section of the market or form of business for each abnormal movement of prices or for each outside factor that has a bearing on the business of the mar ket There is therefore a tendency to specialization and we have today reporters for wheat or jute for the commodity or the capital markets for ready transac tions or futures for small lot business or wholesale corner deals Since a student of commerce ha to deal with all these types of reports and has to express his opinion as a tyro in this art, we cannot do mo e than formulate a few guiding principles that will pply to all types of reports most frequently come acros Be fore starting to write however, the student should bear in mind certain essential features of market reports which distinguish them from other forms of literary composition The outstanding character istics common to almost all types of market reports are summarized below —

(1) *Reports are Impersonal* It must be pointed out at the outset that market reports are invariably written impersonally and do not bear the name of the writer The writer should use only the third person and the past tense unless otherwise required by circumstances

(2) *Employment of Technical Terms* The information contained in the report is usually couched in formal and carefully chosen phraseology The success of a reporter depend not only on his maintaining a large stock of specialized commercial vocabulary but al o on the choice and arrangement of technical terms and phrases in such a way as would make them most intelligible to the general reader

(3) *Precision* A market report is essentially an economy composition It is concise and to the point It employs the minimum words possible to convey ideas exactly and instantaneously because the trader for whom it i written has neither much time nor interest to go through long explanations The writer can avoid needle s words and superfluous details by using standard commercial vocabulary and colloquial expressions But conciseness is compatible with clearness

(4) *Causal Relation* For every change in business conditions there is a cause and the effect of such changes can be traced back far and wide into the market region For example the price of wheat may fall abruptly The cause may be shortage of demand over supply, good weather and crop forecasts or large imports from abroad The effect will be small business falling prices, and dull conditions in other commodities also For every such phenomenon the reporter must exercise his utmost skill in tracing out the causal relation between supply and demand action and reaction Otherwise his statements will not be effective The writer of a market report therefore must keep his eyes more widely open than the reader

(5) *Inter-dependence of Markets* Almost all mo-

dern markets are closely linked up together by a common tie of business interest The causes for any change in business conditions should not only be traced within the market but also beyond its boundaries in the regions of other markets Thus the cause of high prices in commodity markets may be discovered in the money market, and the cause of low prices in the stocks and shares market may be traced in the raw produce or manufactured goods market For example, the relation between wheat and money market may be as follows large supply of money, cheap rates of interest, more funds in the hands of traders, large number of buyers, greater demand meaning large volume of business, higher prices of raw produce, bright market conditions Similarly the relationship between the stock exchange and manufactured goods market is lack of demand for manufactures, small business, low prices, small profit to manufacturers, small income to capitalists and shareholders, low price of securities, poor business in the stock exchange The skill of the reporter therefore lies in correct observation, because a market reporter takes into consideration the factors within as well as outside the market, to arrive at reliable conclusions

(6) *Exactness of Detail* A market report is a true record of past events It describes the main features of business, stage by stage in their original form, and is therefore expected to be correct even to the minutest detail Since business operations involve the use of currency, weights and measures and transactions are made on the basis of intricate mathematical calculations, even the humblest fraction of a figure has a great money value Fortunes may be made or marred by the slightest variations of these figures The writer, therefore, must be very careful in reproducing exactly what exists in the market during the period under review, whether it be facts or figures or the nature of business transaction

(7) *Personal Comment* An important feature of

a market report is the personal comment and criticism of the writer After presenting the facts, properly sifted and arrayed, the reporter gives his concluding remarks wherein he is allowed to express his views most frankly and impartially. Since the writer drafts his report after devoting considerable time to the study of the facts at his disposal, his opinion is not only authoritative but reliable, and the average trader usually directs his business operations on the basis of such forecasts Thus it will be seen that the critical opinion of the writer constitutes the most valuable part of the report, and it therefore deserves particular care and attention at the hands of a beginner

## SUGGESTIONS FOR WRITING MARKET REPORTS

The writing of market reports is at once the easiest and most difficult of literary arts It is the easiest because, its contents, the subject-matter, are familiar and accessible to all, and a person of average skill and intelligence can easily master them. It is the most difficult because, in order to excel in the mastery and use of subject matter so familiar to everybody, and attain a certain degree of proficiency, a person must exercise the utmost care and diligence in writing reports that are correct in every detail and are a definite contribution to modern commercial literature. But the ability to write market reports, as one is used to writing composition on a familiar subject, is possible to anyone who has undergone some training in this respect and possesses capacity to express his ideas in simple and correct English. Although the ability to write effective and flawless reports is a rare accomplishment, it cannot be assumed that proper training and patient industry will not produce an expert who would achieve proficiency in the art of writing market reports Eschewing the silly notion that literary acquirement is a divine talent bestowed indiscriminately upon a few fortunate persons, the student should bear in mind that the greatest masters of the literary craft have owed their

proficiency to hard work and constant practice which proves that patient industry is the sole requirement for literary effectiveness The best method of mastering commercial literature and attaining proficiency in writing market reports is therefore summed up in one word *Write*

Practice in writing must be supplemented by reading of the best reports from standard commercial papers The writer who relies on writing alone to achieve proficiency, only perpetuates his own faults, and the more he writes, the more deep rooted do these faults become Therefore all would be writers of market reports, particularly those who have chosen the career of commercial correspondents and reporters, should adopt the excellent method of imitating the style of standard reporters This will enable the novice and the beginner to acquire that subtle quality called style which teaches the writer to say what he has to say, with the highest degree of exactness and completeness In accomplishing proficiency in a literary craft, like that of writing market reports, the secret of style is precision, and the writings of standard reporters alone will teach you how perfectly you can adapt means to your ends They will afford you examples of precision in the use of words, they will enlarge your vocabulary, they will teach you method in the arrangement of ideas, they will enable you to discover your faults and amend them and finally they will gradually impart that excellence to your writing which is summed up by the word *perfection* We may, therefore, in advocating the imitation of standard writers of market reports, leave another suggestion for the guidance of the students —*Write and Study Study and Write*

In the last analysis there is only one way to master the writing of market reports, and that way is to write diligently and regularly By constant writing even the most backward writer can come up to the forefront Since market reports contain a ring of highly technical and specialized terms and phrases

about them, their correct application can be learnt only by a long process of trial and error Write a report as fast as thoughts come into your mind As you write observe the various rules of grammar and syntax Read over the draft again and after making corrections, rewrite You will discover that the more you write, of course taking care not to perpetuate your errors, the more your faults will float away, and this repetitive writing will lead you gradually to perfection You should also practise writing reports on an extensive scale Write different types of reports for different commodities and for different periods This will take away the monotony of writing over the same theme, and yet impart that drilling and discipline which goes to make first-rate writers of market reports We may thus summarize our suggestions for the beginners by saying —*Write Often Incessantly Write*

5 Like all other forms of composition, the effective writing of market reports depends essentially on *first*, having a correct idea of the subject matter, *second*, correct expression The former is acquired by memory work or learning, the latter by practice Before attempting to write a market report, the student should feel confident that he has acquired a good stock of basic vocabulary and supplementary expressions He should also be sure of the correct meaning and significance of all the terms and phrases he is going to use on a particular occasion Equipped thus with the necessary tools, the student may launch upon his maiden effort in the shape of a market report In drafting his report, the student should proceed in the same manner as if he were writing a miniature essay, observing all the rules of grammar and syntax The report must at all costs stand out as a specimen of correct, standard and modern English That is, the reporter should use simple and grammatically correct language, idiomatic if possible, and modern in structure and vocabulary, which is characteristic of all standard essays But an essay is distinguished from

when you have thoroughly studied the facts with all their implications The draft should be written in correct language and in proper form A report must have a date and a place of business, and a title indicating the type of report (Daily or Weekly), and the commodity reported The writer must know what to say and how to say it He should make the most appropriate and discriminate use of technical terms and phrases

(3) Devote one paragraph to each topic or a section of the business This will make your report systematic and the reader's task easy The opening sentence, as far as possible, should indicate the tone of the market. Purely from the view point of examinations, the student is advised to follow, as far as possible, one trend only to avoid confusion For example either a firm tone (upward tendency) or a weak tone (downward tendency) should alone be discussed with all its implications, as this would minimize chances of confusion on the part of the beginner

(4) Do not allow your first draft to be seen by anyone except yourself unless you are satisfied with it. As a conscientious writer, go back over your writing, carefully hunting out errors and painstakingly substituting the appropriate word or expression wherever necessary This reading should enable you to correct mistakes in subject matter and method of presentation Remember, a second thought always strengthens the composition

(5) Draw out your own conclusions and express your own point of view The writer should give his own reading of the business conditions based on the facts and figures under review This part of the report, which embodies a straightforward criticism of market conditions, should be clear, frank and impartial It should be carefully derived, as it serves as the basis of readers' forecasts, and a slight error of judgment may cause the readers heavy losses The writer's critical opinion is usually the *close* of a market report.

(6) Revise the report This final reading is necessary to polish the expression of the draft Many good writers believe in polishing and repolishing their writings until they are convinced that nothing better can be achieved Re-reading one's own writing several times enables one not only to enrich the subject matter and expression, but also to grasp the substance for arriving at an appropriate title Each independent report must have a title If the report is comprised of several sections, a sub-title for each section becomes necessary.

## FORM OF MARKET REPORT

### *(Systematic Arrangement of Points for Writing Reports)*

**Introduction** Type of the market, name of commodity reported, date, place, time of business, title, or sub-titles, if any

**Opener** The first sentence, or the opening paragraph of the report, should give the writer's estimate of the general state of the market It is the market pointer or the tone of the market for the readers about the past business

**Body** (*a*) *Particulars of Business* · respective strength of buyers and sellers, nature and extent of demand and supply, volume of business transacted, nature of business (spot or future), stock in hand

(*b*) *Quotations and Tendency of Prices* factors influencing price quotations at different periods of business rates for different varieties of commodities and forms of delivery (i e, rates for spots and futures), quantities sold at the prevailing rates, and general tendency of prices

**Closer** This is the closing sentence or paragraph, embodying the remarks of the writer The writer's opinion is based on present market conditions and the previous reports, and is considered as a market pointer for the future course of events

MODEL MARKET REPORT WRITING ANALYSIS

| | | |
|---|---|---|
| **Introduction:** | *(Reference)* | Karachi wheat Market Report for the week ended Saturday, the 18th of July, 1942 |
| | *(Title)* | Market Tightens on Weather Forecast |
| | *(Sub-title)* | Reserve Attitude Prevails for all Positions |
| **Opener.** | *(Tone)* | The market during the week under review remained very steady and recorded an all-round improvement A strong bullish sentiment continued to be the main feature of ready positions |
| | *(Causes)* | The principal tightening factors were lack of rains in the Punjab, and strong advices on military account from the Middle East Shortage of shipping space created further difficulties for new arrivals from Australia in August and September, and therefore the anxiety of the local buyers became intense |
| **Particulars of Business:** | *(Demand)* | Considerable local support was forthcoming at the current levels, but the sellers were reserved Exporting firms are enthusiastically buying even at premium rates and all positions have considerably gained ground. |
| | *(Supply)* | Arrivals from upcountry are very poor and the result is that there has been poor stock accumulation. With the holders sitting tight on their reserves, there is everywhere a marked scarcity in supply |
| | *(Nature of Transactions)* | There is a heavy bull account established in forward positions, but spot transactions are soon gaining supremacy |

| | |
|---|---|
| *(Volume of Business)* | Business was done in small lots due to the sellers holding out and awaiting events. |
| *(Stock)* | The present stock is put at about 10,000 bags |
| *(Quotations)* | Ready is presently quoted at Rs 34 (per candy of 656 lbs), August 34-12, September 35-1 and October 35 2 All rates are quoted at a premium over the previous week |
| **Closer** | *(Forecast)* No doubt the advancement has come to stay Since the stocks are small and held in very secure hands, coupled with an intensely growing demand, the market will grow from strength to strength |

EXAMPLES OF WRITING MARKET REPORTS

*Example 1*

## DAILY REPORT

Draw up a market report relating to wheat or cotton, using imaginary facts and figures.

—*I Com, Rajputana*

*Comment* In writing a Daily Report on cotton, the beginner should try to stick to one tendency only In this report, a downward trend of business has been followed throughout, *i e*, small business, low prices, and consequently a quieter market In writing out the draft it is of utmost importance that the argument should be kept clear throughout, with easy transitions form one stage to another. The *opener* and *closer* of the report should be so adjusted as to carry on a sequence of ideas

*Outline.* (1) The market grew from weak to quiet

(a) Bull Liquidation

(b) Absence of foreign demand.

(2) Heavy business was reported
 (a) Consumers purchasing heavily for storing
 (b) 10,000 bags purchased by the Government
 (c) Huge amounts were sold both for spot and futures
(3) Prices have risen considerably
 (a) The bullish outburst raised the price level
 (b) Prices are appreciably higher for all positions
 (c) Current quotations
(4) The bullish sentiment will continue to prevail
 (a) Prices will continue to rise next week
 (b) The market is not likely to be influenced by any other factor
 (c) A strong under-current of enquiry still exists in the market.

## HAPUR WHEAT MARKET WEEKLY REPORT

### SPECTACULAR UPSWINGS IN PRICES DUE TO STRONG BULLISH SENTIMENT

### HUGE TURNOVER REPORTED IN ALL SECTIONS

Hapur, May, 31

The local wheat market, during the week under review, remained very firm There has been considerable rise in prices for all positions, and the quotations on the close have been appreciably higher as compared with those of the last week The bullish outburst which appears by no means to be temporary, is accounted for by continued unfavourable crop reports, supported by the strength of an unusually high domestic demand and the covering operations by nervous bears

Heavy purchases were made by upcountry buyers to meet the demand of panic stricken consumers who were hoarding grain for the rainy day The Government purchased 0,000 bags for export to the Middle East for military purposes, and under the influence of this important factor, the prices flared up. Considerable business was done both in spot and forward transactions

(*b*) Sudden outburst of activity
(*c*) Heavy demand and shortage of supply
(*d*) Huge business done at high prices
(*e*) The Market continues to display a firm tone

(iii) *Silver Market*

(*a*) Quieter tone due to discouraging war news
(*b*) Sellers unwilling to sell at low prices
(*c*) Very small volume of business done
(*d*) Prices continue to fall in all positions
(*e*) Market displays weak tendency with prospects of recovery

## BOMBAY BULLION WEEKLY MARKET REPORTS

### SPURTING MOVEMENTS IN GOLD PRICES QUIETER TONE IN SILVER

Bombay December .8

The Bombay Bullion Market has displayed some nervousness following upon events in the Far East While trading in the opening stages was practically suspended in all sections, a sudden outburst of activity was noticed in the gold section at the close

*Gold Section* In spite of the initial set back, the gold market continued to be unusually active for the major part of the week under review The tone was firm and new high levels were reached in the closing stages Heavy purchases were made by banks and upcountry dealers for trade and domestic requirements The price of spot gold opened at Rs 47-9 and kept on advancing steadily till it broke last year s record of Rs 48 8, and touched Rs 50 2 on Wednesday There was severe shortage of ready gold and the premium for cash over January settlement at one time widened to eight annas (The highest and lowest rates touched were Rs 50 2 and Rs 47-7 for spot and Rs 49 12 and Rs 47 5 for January Settlement) There was no quotation for February settlement. The de-

mand for sovereigns was again keener, and the price went up from Rs 32-3 to Rs 33 12 per coin Floating stocks of gold in the market are estimated to be about 50 000 tolas arrivals from upcountry have averaged about 7,000 tolas a day, while the average daily off-take ranged between 15,000 and 20,000 tolas Due to discouraging war news the strong bullish sentiment will continue to prevail next week

*Silver Section* As already stated, the silver section was uninteresting during the major part of the week In spite of renewed enquiry from upcountry markets silver inclined to be a shade quieter and continued to sag to discouraging levels at the close. While the sellers were reserved the buyers were eagerly waiting for the bottom Very small business was done during the week On account of some speculative sales, from Rs 70-2 at the opening, cash silver of 999 fineness went down to Rs 69 12 on Wednesday, and closed lower at Rs 69 4 on Saturday February settlement was quoted at a discount of Rs 5 12, and silver to be delivered in March was quoted four annas over February at the close Floating stocks of the metal are estimated at about 9,000 bars Although considerably weakened, the suppressed market sentiment is that silver will recover during the next week and the lost ground will in all possibilities be regained

*Example 4*

## ANNUAL REVIEW

Write a brief review of trade conditions on the Calcutta Stock Exchange for the year ended on the 31st of December 1941 The review should comprise either monthly summaries or quarterly surveys of the market as a whole

*Comment* This is again a familiar form of composition A Review is usually a periodical report, *i e*, annual, triennial, quinquennial, or decennial, and is written sectionally In writing the Annual Review,

there is an obvious danger of making a mere catalogue of facts and figures, hence the need for making an outline showing clearly the topic of each section or paragraph of the report Notice should also be taken of the fact that each monthly or periodical summary, or section, is a condensed but complete account of business proceedings and may well represent an independent part of the whole The opening paragraph should always convey the central idea or the tone of the market and the whole should then be rounded off with a general discussion and quotation of the year's closing rates in the final paragraph.

*Outline* (i) General sentiment of the market during the year under review

(ii) *First Quarter (January—March)*
 (a) Tone is barely steady
 (b) Small business was done in steels and jutes
 (c) Closing tendency is unchanged

(iii) *Second Quarter (April—June)*
 (a) Downward tendency continues
 (b) Unhealthy influence of Price Control Conference
 (c) Coals and Engineerings show slight recovery.

(iv) *Third Quarter (July—September)*
 (a) Favourable military situation improves values
 (b) Dealers are hesitant and prices remain sensitive
 (c) Uncertain business conditions throughout.

(v) *Fourth Quarter (October—December)*
 (a) Steep falls in Government securities
 (b) Japanese invasion creates sagging tendency
 (c) Closing quotations for the year under review

## 1941, A REACTIONARY YEAR FOR CALCUTTA STOCK EXCHANGE

*Business in the Grips of Suspense and Alarm—Sharp Spurts and Recessions in Gilt-Edge—Calcutta*

*Port Trust Bonds Remain Depressed—Industrials Uneasy*

Calcutta, December 31.

1941, the year under review, has been a period of continued suspense and alarm The dominating factor, absolutely beyond the control of the local market, has been the European War The course of the war influenced trading and the movement of prices throughout the year Any successes of the United Nations, however small or local in character, broadened speculative activity and brought about an improvement investment demand leading to a strengthening of values Any reverses, on the other hand, caused heavy and constant bear raids and bull liquidations, and resulted in a precipitous fall in prices

*First Quarter (January—March)*

The market opened barely steady in the first week of January and business was mostly confined to industrials By the end of January, Tata Steels had done good business and jutes were fully steady In February there was a sympathetic fall in oils, but the operation of the quota system depressed the market for Paper Mill Shares. Prices in March were unchanged throughout and the undertone was unhealthy

*Second Quarter (April—June)*

The pessimistic outlook in April was a continuation of the previous month The report of the Price Control Conference created a setback in the commodity markets, and the reaction was amply felt in the Industrials section Bears once more had their turn and took their stand confidently on unfavourable war news In Coals and Engineering Descriptions there was a slight recovery but the prices remained very sensitive in May owing to the impending German offensive in the Middle East The more hopeful news of America's alliance with Indian Defence put some life in Gilt-edge June was a month of uncertain business, both bulls and bears playing hide and seek under the camouflage of war bulletins

*Third Quarter (July—September)*

The arrival of American and Chinese troops in India and the strengthening of eastern frontier defences brought about a natural technical recovery in all sections in July Investors were taking a saner view and turnover was showing signs of expansion But the declaration of heavy dividends did little to influence the Industrials section In August, however it appeared that confidence was going to be restored to the miscellaneous section and some business passed between traders During the whole month prices were highly sensitive and pendulating September opened with a gigantic battle of wits between bears and bulls speculation was again rampant in all sections and serious difficulties were encountered in carrying out the usual periodical settlements Due to momentous upswings and landslides in prices the Exchange was thrown in the grips of an unusual business crisis, and the position during this month remained very confused. On the whole, conditions have remained uncertain during this term and the tone may be summed up thus Slump—Recovery—Reaction

*Fourth Quarter (October—December)*

The gilt-edged section which was practising gymnastic over the European politics suddenly fell down headlong Semi Gilt edged securities were also hammered down by a wide margin, and on the opening of Japanese aggression all Guaranteed Stock became the sport of bear speculators Later on, however the possibilities of an understanding between Japan and the U S A over the Pacific question allayed the fateful sagging of Industrials particularly textiles and oils November was a month of suspense and fear, and although bull interest was vanishing owing to increased Japanese activity in the Eastern possessions Iron and Coal shares held their own against odds The seventh of December 1941, will be remembered as a fateful day for the Calcutta Exchange,

when the doom of Gilt-Edge and Trustee Securities was sealed The simultaneous attacks by Japan on the Pearl Harbour and the Philippines followed by the Malaya Campaign and the loss of Singapore, were responsible for the cracking values on the Exchange and the prices of all descriptions were soon bottom less Life was squeezed out of all first class Stock and the Exchange was practically deserted, 3½ P C Government Paper was lingering at Rs 81 with sellers over Steel corporations were down by over 5 points, Bengal coal by 40 jutes from 5-10, Titaghurs by 7 points, and British Burma Petroleums were completely ousted from list The closing quotations were as follows —

*Government Securities* 3 p c Loan 1941, Rs 100 6 (s o 1), 3 p c Loan 1951 54 Rs 81 (s 1), 3½ Govt Paper Rs 8 (s 1) 3 p c War Bonds Rs 83 (s 1), Imperial Bank (fully paid) Rs 1,501, Reserve Rs 103

*Coals* Amalgamated Rs 21-11, Talchar 1-1, Bengal 220, Dhemo Main 14 2, Raneeganj 21 6

*Jutes* Howrah 51, Hukumchand 5-2, National 170, Reliance Rs 4 (s 1) Dalhousie (pref) 141, Union (Pref) Rs 151 (s o 1)

*Miscellaneous* Indian Copper, unquoted, Burma Corporation, unquoted Bengal Potteries, Rs 4-1 Dalmia Cement (Ord) Rs 6 12 Dunlop Rubber (1st pref) Rs 1 021 4, ord 21 8 Bengal Paper (Ord) Rs 101, British Burma Petrol, unquoted

## ELEMENTARY EXERCISES WITH HINTS

*Exercise* 1 Write a report of about two pages of your answer book on the condition of the cotton or wheat trade of your town, using technical phraseology where possible

—*I Com U P*

*Comment* In attempting to answer the above question the examinee should strictly observe the rules, and follow the method, outlined in the preceding pages

Success will depend largely on his skill in employing technical terms and phrases, but if he is doubtful about the meaning or use of any term or expression, he had better avoid it Two important points again need to be emphasized first, write your composition in grammatically correct English, second, follow, as far as possible, only one trend of discussion throughout

OUTLINE FOR WHEAT MARKET REPORT

(i) The market is dull due to lack of demand
 ) There was a tendency for sellers to sell
(ii) Prices continued to fall (mention causes)
(iii) Very little business was reported
(v) Current quotations (compare with previous week)
(vi) The prospects of business are not bright

*Hints* (a) Knowing as he should the general sentiment prevailing in the market, the examinee should use a particular set of vocabulary and specialized phraseology to express his ideas For example, he should keep the following terms and phrases in his mind bear bearish bull liquidation, quieter tone, featureless sagging tendency, small lot, bottom, positions, buying down the market, sellers reserved, buyers looking on, limited offtake, weak undertone

(b) The writer will be required to give a list of the varieties of wheat (trade description) dealt in on the exchange He should therefore keep in mind a stock of such trade names as are common in his own town market or in some of the larger Exchanges of his country Some of these trade descriptions in wheat are as follows —Wheat Ready, Wheat Bhadon, Wheat May, etc, known by the nature of delivery Saharanpur Sharbati, Delhi Dara, Cawnpore Red hard, Wheat Khatti, etc, known by the place of production and quality

(c) Give a suitable title, and a sub title if necessary Since the title is the real market pointer (as

it indicates the tone) the student should in this case choose a title pessimistic in tone

*Exercise 2*

Write a short market report relating either to cotton piecegoods or to sugar.

—*I Com*, *Rajputana*

*Outline for Sugar Market Report* (i) The general tone of the market is firm

(ii) There is a great demand from upcountry centres

(iii) The new crop is expected to be small and the crushing season short.

(iv) Imports of foreign sugar are restricted

(v) Prices have risen considerably (give quotations)

(vi) Prospects of business are bright

*Hints* (a) *Use of terms and phrases* —bull *bull* support, bullish sentiment, bear covering hedging, upward tendency, discouraging crop outlook, long outburst sharp spurts fair trade, spot lots, distant deliveries optimistic outlook

(b) *Trade Descriptions* —Crystal No 1, Crystal No 2, Crushed white superfine, Gur Sugar (Gutaiya), Rampur Superior, Rampur Crushed Brown Gola July/August, Desi (May), Java Ready, Java (export Bombay) Java September, etc

(c) *Title* The title should be in the direction of an upward tendency and should indicate an optimistic tone

*Exercise 3*

As the correspondent of a commercial journal, draft a brief market report relating to the Bombay Stock Exchange. Use imaginary facts and figures, and include at least three independent sections in your report.

*Outline* (i) General Market Sentiment

(ii) Government Securities section lively

(a) Sudden rise in prices due to British success in Iraq and Syria

(b) Considerable business was done in Defence Bonds and Port Trust Securities

(ii) Industrials steady

(a) Iron and Steels were doing fair trade

(b) Chemicals and Toilets were weakly supported

(c) Textiles eased on Japanese victories in the Far East

(iii) Miscellaneous Section nervous as usual

(a) There was no significant change in this section

(b) Erratic rallies and recessions in prices.

(c) Forward business at a standstill

*Hints* (a) *Use some of the following Trade Descriptions* —Defence Bonds, Conversion Loan, 3 per cent Loan, Government Paper, Bombay Telephone Debentures, Bombay Trams (1st Mortgage) Debentures, Tata Hydro, Tata Steel, Bombay Steam, Bank of Baroda (Ordinary), Imperial Bank (fully paid) Empire of India Insurance, Mymensingh Railway (Guaranteed), Laxmi Cotton (Pref ), Bombay Dyeings, India Radio (Ord ), etc

(b) *Pick out relevant terms and phrases* —active, featureless, eventful, neglected, with buyers over, with sellers over, peak price, rockbottom price, reaction break in values, bull, bear, stag, bear squeeze, bul, corner, scrips, descriptions, issues, leading counters lame duck of the market, profit taking, slump, rot inter bazar dealings, investment enquiry, speculative demand, monthly settlement, sympathetic recovery, optimistic sentiment, weakening undertone, etc

(c) Give a title, and also one sub-title each for the three sections

ADVANCED EXERCISES WITHOUT HINTS

1 Write a brief Market Day Report of your village or town market for miscellaneous commodities.

2 You are appointed mess manager for your hostel or household Draft a report on business conditions in commodities you have purchased recently

3 Without using technical terms and phrases, write an account of one business day of any commodity market you have recently visited

4 Write a Market Day Report relating to any wheat market and use the following terms bull, hedge, sentiment, cover, speculative rally, bullish, firm, quotations

5 As an *arhatia* (wholesale dealer) in Cawnpore, write a report of the commodity market of your place to be circulated to your customers

—*I Com*, *U P*

6 Write a brief weekly report of the wheat market of your town to be circulated to your customers

—*I Com*, *Rajputana*

7 Draw up a market report relating to any commodity, using imaginary facts and figures You are to import an upward tendency in prices, and explain the main causes responsible for it

—*I Com*, *Rajputana*

8 You have just completed a tour as a commercial traveller of a cotton mill Draw up a report, embodying various suggestions regarding qualities and designs, etc, which you have received from the dealers in the course of your tour

—*I Com*, *U. P.*

9 Write a note on The effect of a bad mons on on the piecegoods trade in India.

—*I Com*, *Rajputana*

10 Draft in proper form a market report of the Calcutta Hessian and Jute Yarn Exchange Use imaginary facts and figures, and clearly point out the relation between raw jute and jute goods markets

11 Write a sectional report on sugar for the Cawnpore Sugar Syndicate the sections being Local, Desi Indian and Java Show a sagging tendency for all sections and give different reasons for each.

12 As a hides and skins merchant at Madras, draw up a weekly market report for the Madras Exchange to be circulated amongst your customers at Cawnpore Bring out clearly the effect of the war effort drive on prices in all sections

13 Write an Annual Review of the Hapur Wheat Market using imaginary facts and figures The year under review has been one of huge turnover and fairly high prices Draft your report in brief but give complete monthly summaries

14 Draw brief quarterly summaries of business transacted on the Bombay Cotton Exchange during the past year Show a downward tendency throughout and give reasons for it

15 As a reporter of a commercial paper draft an Annual Review of the piecegoods trade on the Delhi Piecegoods Exchange Show clearly how conditions have improved during the course of the year under review

16 As a firm of bullion brokers in Calcutta draw up a weekly silver market report for the information of your clients

—*I Com*, *U P*

17 Draft a weekly report of the Cawnpore Bullion Exchange using the following terms and phrases featureless spot gold quieter tendency, first settlement *najrana*, short side of the market, depressed tone.

18 Write a weekly market report relating to the Bombay Money Market Show an upward tendency and give causal relations

19 As an officer in charge of a branch of the Imperial Bank of India write to the Head Office reporting about the weather conditions of your place and their effect on the local money market, using the following words and phrases appropriately —borrowers

at call and short notice, limited request, easier tone, Bank Rate, First Class Bills, and Treasury Bills.

—*I Com, U. P.*

20 Describe briefly, in the form of a proper market report business conditions prevailing on a certain day in a Money Market in India or abroad. Use imaginary facts and figures, and mention as many money rates as are characteristic of home and foreign markets

21 Write a weekly market report concerning foreign exchange business on the Clive Street Exchange.

22 As a bank correspondent write an account of a business day on the Bombay Foreign Exchange, using the following terms and expressions, sterling rate, T T, export bills, appreciation, cross rates, spot delivery, pegging

23 Write out an Annual Review of business conditions on the Calcutta or Bombay Money Exchange Market Use imaginary facts and figures

24 Write an essay on the organization of business in the Calcutta or Bombay Stock Exchange Give also a list of securities dealt in usually for cash or forward transactions

25 Write, in the capacity of a representative of an Indian Stock Exchange a complete report on a week's business done on the London Stock Exchange

26 You are a stocks and shares broker in the Madras Exchange Write for your clients a report relating to investment securities only

27 Write a weekly report of the Bombay Stock Exchange using the following terms and phrases Gilt edge and Trustee securities, investment demand, carry over, cum. div, ex all, s o l, par value, strong enquiry, profit-taking, inter-bazar dealings, steady undertone

28 As a commercial correspondent of 'Capital' or 'Commerce', draft an Annual Review of the Calcutta or Bombay Stock Exchange

# APPENDIX A

## WEIGHTS AND MEASURES IN INDIA

Weights and measures in India vary not only from district to district but also for different commodities

The principal units in all the scales of weights are the *maund*, *seer* and *tola*, and the standard weights for each of these are 82 28 lbs, 2 057 lbs and 180 grains *troy* respectively

The Indian *tola* is the same weight as the rupee, *viz*, 180 grains *troy* the standard or railway seer is equal to 2 057 lbs, while the standard or railway maund of 40 seers is equivalent to 82 lbs 4 oz 9 drams

### COINAGE

| | |
|---|---|
| 3 Pies are | 1 pice |
| 4 Pice are | 1 anna |
| 16 Annas are | 1 rupee |

### RUPEE IN POUNDS AND DOLLARS

100,000 is one *lakh* (1,00,000)
10,000 000 is one *crore* (1,00 00 000)

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Re 1 is approximately 1sh 6d or 30 05 cents
Rs 100 are approximately £ 7/9/6 or $ 30 05
Rs 1,000 are approximately £ 74/14/10 or $ 300 53
Rs 1,00 000 (a lakh) are approximately £ 7,473/19/2 $ 30,053
Rs 1,00 00,000 (a crore) are approximately £ 747,395/16/8 or $ 3,005 253

## APPENDIX B

### TRADE DESCRIPTIONS OF COMMODITIES DEALT IN ON THE COMMODITY EXCHANGES IN INDIA AND ABROAD

### 1—Raw Produce (Indian Markets)

| Commodity | Market | Trade Description |
|---|---|---|
| Wheat | Hapur | Chandausi (jeth), Delhi (sharbati), Cawnpore (red) Hapur (ready khatti) |
| | Delhi | WheatFarm No 591 Sharbati, Dara White Saharanpur |
| | Lyallpur | Okara Ludhiana (Har) Lyallpur (Har) Amritsar White, Hapur (red hard) |
| Rice | Calcutta | Rangoon Big Mills Specials, Small Mills Specials, Sugandhi white, Burdwan, Basmati, Satti, Rangoon Red sun-dried |
| | Hapur | Dehradun Special, Basmati Bhujia Satti Rangoon small red Rangoon Long sun dried |
| | Lyallpur | Cleaned, Rangoon, Punjab, Sind, Burdwan, Dehradun Basmati |
| | Rangoon | Milchar Steam Dried, Burdwan Specials No 1 Long sun dried, Sugandhi White No 1 |

| | | |
|---|---|---|
| Cotton | Bombay | Broach (fully good), Oomra (fine), and Bengal (fully good) *futures business* Sudans, Californian, New Orleans, Liverpool foreign growths Navsari, Com millas Surats, Cawnpore, Punjab Indian growths |
| | Karachi | Sind Ready, Punjab Ready ' 4F May " 289F A R Kampala, Dholleras, Mathias, Cawnpore (Hathras) |
| Jute | Calcutta | Jat Middles, First Marks Ready, Lightning Jat Tops and Bottoms, Dundee Daisee, Tossa no 4, Western, Northern, Districts Birla Hearts, New Crops |
| Groundnut | Bombay | Bold Ready, Karad, Khandesh, Madras Special |
| | Madras | Machined Chekku, Produttur, Expeller, Coromandel (Dec - Jan ) |

## II—Raw Produce (Foreign Markets)

| Commodity | Market | Trade Description |
|---|---|---|
| Wheat | London .. | Rosario, Santa Fe, Burletta Russo Parcels (Dec -Jan ), Australian (South) |
| | New York | Chicago, Argentine, Special No 4, Manitoba, American Red Winter, North Spring Duluth Certificate |
| Linseed | London | Bombay (Dec Jan ), Calcutta |

| | | |
|---|---|---|
| | | (March April), La plata (Feb) Calcutta (pure basis) Ready |
| Cotton | Liverpool | New York (Jan), $\frac{15}{16}$ Staple Middling Spot, Liverpool (March April), Egyptian Giza Spot, American Middling, Egyptian F G F. Sakel, F. M G Broach, F G F Tinnevelly |
| | New York | New Orleans (Spot), New York (ready), New York March/May/July (futures) |
| Wool | London | *Greasy* First and Second Combing E, First Fleece, First Necks First Bellies, First and Second Weaners, A pieces, Broken |

## III—Manufactured and partly-manufactured goods (Indian Markets)

| Commodity | Market | Trade Description |
|---|---|---|
| Cotton piecegoods | Bombay | Grey Longcloth - Century, Man & Globe (S Quality) Grey Shirting Century, Bugle (Heavy), EDSU, Two Tigers Grey Sheeting B T M, Century, Victoria (X Quality) Grey Dhoties B T M, Crown Mill, Lady at Toilet, Minerva Bleached Mull Kohinoor, Modern (Lady with Fan), Sholapur. Susi checks Century, Heron, Tata Mills Coatings: |

| | | |
|---|---|---|
| | | (February), Heavy Cees, Red Stripes 40×28, Blue Stripes 40×28 |
| Sugar | Cawnpore | Gola (Crystal No 1) Jarwal (Best), Basti (Fine), Biswan (Superfine), Nawabganj (Gonda) Special, Gutaiya (gur sugar) Java Crystal Special |
| | Bareilly | Baheri Kesar, Baheri Khandke, Pilibhit Crystal No 1 and 2, Pilibhit crushed Rampur Superior, Hardoi Superfine, Java White Crystal |
| | Meerut | Modi, Sakoti crushed, Jaswant (Superfine), gur first quality, second quality, and mixed |
| | Delhi | Daurala No 1, Begamabad No 1, Baheri Kesar 14, Khatoli Special, Hargaon, Shamli and Gola Gokaran |
| Tea | Calcutta | *Black Tea* Flowery Orange Pekoe, Orange Pekoe, Pekoe, Pekoe Souchang Orange Fannings, Pekoe Fannings, Broken Orange Pekoe, Dust |
| | | *Green Tea* Young Hyson, Pekoe Hyson, Hyson No 1 and 2, Gun Powder, Twankay, Fannings Dust |
| Coffee | Bangalore | Nilgiri Peaberry Coorg Broken Beans, Cherry Plantation, Triage Jackal, Native Cherry |
| Hides and Skins | Cawnpore<br>Madras<br>Calcutta | Wet Salted (cpe.), Arsenicated, Amritsars, East India Kips, Superior, Agra |

| | | |
|---|---|---|
| | | Framed Dry Salted (Patna) Agras Bangalore (Prime), Commissariats, Daccas, Darbhangas, Dinajpurs Rangpurs and Patnas |
| Cement | Calcutta | Swastika Cannon Gillinghan (English), Snowcrete White (English) |
| Shellac | Calcutta | Lemon Superfine Pure Buttonlac Ordinary Fine, T N 1° per cent, I T N, S T I Bysaky Shellac, Kushmi Seedlac Rangoon Kirilac Assam Sticklac |

## II—Manufactured and partly manufactured goods (Foreign markets)

| Commodity | Market | Trade Description |
|---|---|---|
| Metals | London | Copper Electrolytic, Lead Foreign Cash Iron Glasgow No 3 G M B Tin Standard (English) Spelter Current G I P |
| Hessians | New York | Calcutta 40" 8-oz 9 Porter, 40" 10½ oz 11 Porter, Dundee (Oct Nov) Lightning Twills (Oct Nov) |
| Shellac | London | Spot, T N, S T I, I T N Fine and Superfine |
| Hides and Skins | London | Argentine ox, Frigorifics, Dry South American Hides (M V and B A Americanos) South African (Capes dry salted), East India Kips |

## APPENDIX C

### UNITS OF SALE AND QUOTATION IN INDIAN AND FOREIGN COMMODITY MARKETS

### I—Raw Produce (Indian Markets)

| Commodity | Market | Unit of Sale (Quotation in Rs as. p.) |
|---|---|---|
| Wheat .. | Bombay . | Per bag of 196 to 210 lbs. |
| | Karachi .. | Per candy of 656 lbs. |
| | Lyallpur. | Per md of $82\frac{2}{15}$ lbs. |
| | Delhi ... | Per md. of $82\frac{2}{15}$ lbs |
| | Hapur .. | Per md. of $82\frac{4}{7}$ lbs. |
| Rice ... | Calcutta . | Per bazar md of $82\frac{2}{7}$ lbs. |
| | Madras | Per bag of 164 lbs |
| | Bombay | Per bag of 168 lbs |
| | Karachi | Per candy of 656 lbs |
| | Rangoon | Per 100 baskets of 75 lbs. each |
| Gram ... | Bombay | Per candy of 756 lbs. |
| | Karachi | Per candy of 656 lbs. |
| | Rangoon | Per 100 baskets of 65 lbs each. |
| Maize ... | Calcutta | Per md. of $82\frac{2}{7}$ lbs |
| | Karachi | Per candy of 656 lbs. |
| | Rangoon | Per 100 baskets of 55 lbs. each. |
| Millets | Bombay | Per candy of 27 Bombay maunds |
| | Karachi | Per candy of 656 lbs |
| | Rangoon... | Per 100 baskets of 63 lbs. |
| Pulses ... | Bombay ... | Per candy of 784 lbs |
| | Calcutta ... | Per md of $82\frac{2}{7}$ lbs. |

| | | |
|---|---|---|
| | Cawnpore | Per md of $82\frac{2}{7}$ lbs |
| | Karachi | Per candy of 656 lbs |
| Linseed | Calcutta | Per md of $82\frac{2}{7}$ lbs |
| | Bombay | Per cwt. of 112 lbs |
| Groundnut | Madras | Per French candy of 529 lbs |
| | Bombay | Per candy of 560 lbs |
| | Cuddalore | Per candy of 530 lbs |
| | Rangoon | Per 100 baskets of 25 lbs each |
| Raw Cotton | Bombay | Per candy of 784 lbs |
| | Calcutta | Per md of 104 lbs. |
| | Karachi | Per md of 84 lbs |
| | Cawnpore | Per md. of 9[illegible] lbs |
| | Barod | Per bhar of 984 lbs |
| | Broach | Per candy of $885\frac{3}{4}$ lbs |
| | Dharwar | Per harmani of 336 lbs |
| | Berar | Per khandi of 784 lbs |
| | Tinnevelly | Per candy of 500 lbs |
| Raw Jute | Calcutta | Per bale of 400 lbs (pucca bale of 5 mds and katcha bale of $3\frac{1}{2}$ mds) Loose Jute is sold per bazar md of $82\frac{2}{7}$ lbs |
| | Bimlipatam | Per bale of 400 lbs |
| Raw Wool | Madras | Per lb |
| | Bombay | Per candy of 588 lbs |
| | Karachi | Per md of 84 lbs |
| Raw Silk | Calcutta | Per factory seer of 2[illegible] lbs |
| | Karachi | Per lb |
| | Mysore (Chasam) | Per bazar md of $82\frac{2}{7}$ lbs |
| Copra | Madras | Per candy of 672 lbs |
| | Cochin | Per candy of 600 lbs |
| | Mangalore | Per md of 32 lbs |
| Raw Tobacco | Bombay | Per md of $82\frac{2}{15}$ lbs |
| | Calcutta | Per md of 82[illegible] lbs |
| | Negapatam | Per seer of 24 tolas |
| | Rangoon | Per 100 viss of 360 lbs |

## II—Raw Produce (Foreign Markets)

| Commodity | Market | Unit of sale and quotation |
|---|---|---|
| Wheat and Maize | London | @ sh d per quarter of 400 lbs |
| Jute linseed, ground nut cotton seed | London | @ £ sh per ton of 2240 lbs (Troy) |
| Coffee rice shellac skins | London | @ sh d per cwt of 112 lbs |
| Cotton, raw rubber, wool | London | @ d per lb of 12 ounces (Troy) |
| Wheat and Maize | New York | @ $ and cents per bushel (60 lbs) |
| Canadian Wheat (Certified Types) | New York | @ $ and cents per cental of 100 lbs |
| Cotton Rubber and Wool | New York | @ cents per lb |

## III—Manufactured and partly manufactured goods (Indian Markets)

| Commodity | Market | Unit of sale (Quotation in Rs as p) |
|---|---|---|
| Cotton piecegoods | Bombay, Calcutta, Cawnpore, Delhi | Per lb, per piece or per lot |
| Cotton (yarn) | Do | Per lb, or per seer of 2 2 lbs |
| Jute Sacking | Calcutta, Cawnpore, Delhi | Per 100 bags |
| Jute Cloth (Hessians) | Do | Per 100 yards |
| Jute Twist and yarn | Do | Per md or per ton |

| | | |
|---|---|---|
| Jute Canvas ... | Do. | Per 100 yards. |
| Sugar (Crystal) ... | Bombay & Karachi | Per cwt of 112 lbs. |
| | Cawnpore & Calcutta | Per md of $82\frac{2}{7}$ lbs |
| | Madras | Per candy of 500 lbs |
| | Coimbatore | Per pathi of 280 lbs. |
| Sugar (*gur* ... | Meerut & Cawnpore | Per md of $82\frac{2}{7}$ lbs. |
| | Coimbatore | Per pathi of 280lbs |
| | Masulipatam | Per bag of 168 lbs. |
| | Tuticorin | Per tulam of $20\frac{1}{2}$ lbs |
| Tea .. | Calcutta & Madras | Per lb in chests of 100 lbs. each (quoted in annas per lb.) |
| Coffee ... | Bangalore | Per cwt of 112 lbs. or per md of 28 lbs. |
| | Tuticorin | Per md. of 26 lbs |
| Hides and skins ... (tanned) | All India. | Per lb. |
| Cow-hide (treated) | Cawnpore | Per 20 pieces (per score) |
| Skins (raw-treated) | Madras | Per 100 pieces |
| | Bombay & Karachi | Per lb. |
| Hides (raw-treated) | Cawnpore & Karachi .. | Per md of 28 lbs. |
| | Calcutta | Per 20 lbs. |
| | Bombay ... | Per lb |
| | Rangoon .. | Per md of $82\frac{2}{7}$ lbs. |
| Tallow ... | Cawnpore | Per md of $82\frac{2}{7}$ lbs. |
| Linseed Oil ... | Calcutta ... | Per gallon or per drum. |
| Groundnut Oil ... | Calcutta .. | Per md. of $82\frac{2}{7}$ lbs. |
| | Bombay ... | Per cwt of 112 lbs |
| | Madras ... | Per candy of 500 lbs. |
| Coconut Oil ... | Calcutta .. | Per md of $82\frac{2}{7}$ lbs |
| | Mangalore | Per md. of 28 lbs |
| | Cochin .. | Per candy of 600 lbs. |

| | | |
|---|---|---|
| Castor Oil | Calcutta and Cawnpore | Per md of 82⅔ lbs |
| | Madras and Coconada | Per candy of 500 lbs |
| Vegetable Products | All India | Per case of 2 tins of 40 lbs each |
| Cement | Calcutta and Bombay | English per cask |
| | | Indian per ton (in bags) |
| Shellac | Calcutta | Per md. of 82⅔ lbs |
| Metals and paints | Calcutta | Per cwt. of 112 lbs |
| | Cawnpore | Per ton for pig iron |
| | | Per cwt for 10 sts |
| | | Per md for sheets |

## IV—Manufactured and partly manufactured goods (Foreign Markets)

| Commodity | Market | Unit of sale and quotation |
|---|---|---|
| Hides and Skins | London | d per lb |
| Hessians | | sh d per 100 yards |
| Gunnies | | sh d per 100 bags |
| Tea | | sh d. per lb (sold in chests of 1 cwt each) |
| Cement pig iron and Metals | | £ s d per ton (sh per ton for Glasgow Iron G M B) |
| Coffee Sugar Shellac and Linseed Oil | " | sh d per cwt of 112 lbs |
| Tea and Rubber Sheets (standard) | New York | Cents per lb |
| Hessians | | Cents per yard |
| Sugar | | $ and cents per cwt |

## APPENDIX D

### SUGGESTIONS FOR STUDYING MARKET REPORTS

Just as there is a purpose in writing a book, so there is a method in using it. If the subject is not properly read by a system proposed by the author or the teacher, a considerable part of the learning is wasted and the purpose of the writer remains unfulfilled. To get the best out of this work the reader should carefully follow the instructions given below :—

(1) Read with interest, eschewing every idea that the task of studying this subject has been imposed upon you. If the element of interest is wanting, it will be difficult to grasp and master a "bare-bones" and dull subject like market reports.

(2) Read the book as a '*whole*,' from the beginning to the end, from page to page, taking the entire work as a unitary idea, a united thought, which cannot be studied in parts. Each chapter of this book has been designed to form one stage in understanding and mastering the technicalities to perfection.

(3) Make the best use of solved exercises. All these exercises have been graded and arranged in ascending order, *i.e.*, from the simple to the difficult, hence their value to beginners. No solved or unsolved exercise should be skipped over, because *no two exercises are the same*.

(4) Try to be creative. Do not think that the author has said the final word on the subject. In solving exercises produce better interpretations. That is the only way to progress. Imagine, study and improve upon the work of the author.

(5) Do not leave difficulties unsolved. Correct yourself by reference to books at hand or your teachers. It is always *dangerous to proceed to a new lesson*

without grasping the significance of the terms or phrases, or without fully understanding the preceding parts of the subject. In the absence of a teacher, since two heads are better than one consult your class fellows, and discuss things freely with practical businessmen till your difficulty is fully removed.

(6) Remember the completion of this course will mark only the beginning of your study of the subject. *Your task does not end with this book, it simply begins there.* This work is the first step in grasping the possibilities of the subject. Gather more and produce more. Supplement your studies from the newspapers and periodicals. Read the 'Market Reports' or 'Commercial Intelligence' page in newspapers. Try to understand and interpret them. Practise writing simple reports of your own village or town market—just try one even by imagination. Use this book as a reference for correcting all your practical work.